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ABSTRACT

Relations between the United States and China are discussed, and future policy recommendations are made. There are eight major sections. Section I contains an introduction. Section II examines common interests of the United States and its friends and allies. The third section deals with the evolution of relations between the United States and China. The recent background is described. Evolution of Chinese policy--economic, domestic political, foreign, and defense--is discussed. Evolution of U.S. policy regarding U.S./China economic relations, mutual understanding, U.S./China security relations, and U.S./China cultural and educational relations is also examined. Sections IV, V, and VI explore the prospective influence and likely interaction of other key actors that may influence the U.S./China relationship, e.g., the Soviet Union, Taiwan, and other Asian countries. The seventh section deals with the relationship between Atlantic and Pacific security. Policy recommendations conclude the publication. (RM)

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China Policy for the Next Decade

Report of the Atlantic Council's
Committee on China Policy

U. Alexis Johnson, *Chairman*

George R. Packard, *Rapporteur*

Alfred D. Wilhelm, Jr., *Project Director*

TO APPEAR IN PART IN
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THE ATLANTIC COUNCIL OF THE UNITED STATES

The Atlantic Council of the United States, now in its 23rd year, is a national and bipartisan center for the formulation of policy recommendations on the problems and opportunities shared by the democracies of Western Europe, North America, Japan, Australia and New Zealand. Its purpose is to promote understanding of major international security, political, and economic issues; foster informed public debate; and make recommendations to the Executive and Legislative branches of the US Government and to the appropriate international organizations.

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CHINA POLICY FOR THE NEXT DECADE

**REPORT OF THE ATLANTIC COUNCIL'S
COMMITTEE ON CHINA POLICY**

U. Alexis Johnson
Chairman

George R. Packard
Rapporteur

Alfred D. Wilhelm, Jr.
Project Director

Washington, DC
October 1983

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FOREWORD

Two of the truly historical events of the past decade were the visit to China by President Nixon in February 1972, and President Carter's establishment of formal diplomatic relations with the People's Republic of China on January 1, 1979, while simultaneously withdrawing diplomatic recognition from the Government of the Republic of China.

The effects of this dramatic shift in the relationship between the world's most populous country, which not only had a managed economy but previously had a defense alliance with the Soviet Union, and the world's greatest free economy, were not confined to China and the United States. The strategic effects on Europe, the Middle East, and Asia were immediately obvious and again demonstrated that in the modern world "Atlantic" and "Pacific" do not live unto themselves but that we all live in one interdependent world.

It thus seemed appropriate that the Atlantic Council should seek to look at China policy not just from the standpoint of our two countries, but also from the standpoint of our allies in Western Europe, Canada, Japan, Australia, New Zealand, Korea, and Southeast Asia. In the United States the heightened American awareness of China was reinforced by a growing interest within the Administration, the Congress, and the general public in the future of this relationship. It is against this background that on December 9, 1980, the Directors of the Council approved undertaking the project. The hope was that the project would be able to define for the United States a policy that the American public, the Executive, and the Congress could endorse, and which our friends and allies would support as contributing to global stability and their own security.

U. Alexis Johnson, who chaired the Council's earlier project on the Common Security Interests of Japan, the United States, and NATO, agreed to chair a Committee for this project that would include not only American members, but also membership from Japan, Korea, and Europe. The concept was that participation in some form would be sought from an appropriate institution in the People's Republic of China. This was successfully accomplished in two visits by the members of the Committee to Beijing, as was consultation with the authorities on Taiwan. In neither case was concurrence sought to the text of the Committee's report, but rather there were full discussions designed to assure that their points of view were adequately presented.

I was pleased that Dr. Masamichi Inoki, President of the Japanese Research Institute for Peace and Security, agreed to serve on the Committee, and members of his Institute participated in its work. The Council is honored that the Institute will publish the text of the report in Japanese.

I was also pleased that Mr. Philippe Deshormes, Secretary General of the

North Atlantic Assembly, served on the Committee and participated in one of its visits to Beijing.

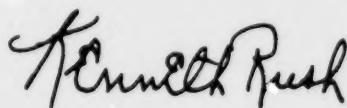
I hope the Council can continue the valuable relationships that the Committee established with the Chinese Academy of Social Sciences in Beijing, and the Institute for International Affairs in Taipei. We also look forward to continuing to work with the Institute of Foreign Affairs in Seoul.

On behalf of the Board of Directors I want to congratulate the Chairman, Ambassador Johnson; the Rapporteur, Dean George Packard; the Project Director, Alfred Wilhelm; and all the distinguished members of the China Policy Committee on their outstanding contribution to a better understanding of an important area of the world and its relationship to the security and well-being of the West.

While no member of the Committee can be charged with responsibility for every word of the Policy Paper, it does seek to reflect the consensus that emerged from the discussions and correspondence. Our Committee worked hard to produce from diverse experience and divergent points of view this collegial "white paper" and the forthcoming book of related studies. Given the breadth of the issues, we take satisfaction in having concluded the work with substantial consensus on the part of the members.

The project has been made possible, as are all Atlantic Council projects, by the support of US corporations, foundations, labor unions, and individuals. We especially thank the US Department of State, the US Information Agency, the BankAmerica Foundation, the McDonnell Douglas Foundation, the Pennzoil Corporation, and TexasGulf, Inc. We particularly appreciate the help provided by Sanford N. McDonnell, Chairman of the McDonnell Douglas Corporation. The views and findings contained in the Policy Paper are those of the China Policy Committee and should not be construed as an official US Government position, unless so designated by other official documentation.

Only by free and informed discussion of our world problems can we hope to find the solutions that history demands of us. It is in that spirit that I commend this Policy Paper and the forthcoming book to the US government and the Congress for action and to the interested public for study and debate.



KENNETH RUSH
*Chairman of the Atlantic Council
of the United States*

PREFACE

As Kenneth Rush has noted, it is more than two years since the Atlantic Council decided to undertake a study on future US policy toward China from the perspective of the United States, and its European and Asian allies.

When invited to be Chairman of the project, I was reluctant because of my memories of the highly divisive and emotional effects of our China policy on the American body politic, and the past frequent extreme swings in the policies of the People's Republic of China (PRC) itself, which complicated the task of looking into the future. Although I was in no sense a scholar of China or Chinese, I had, however, had a long association with the country from the period before World War II when I was assigned to posts in North China and Manchuria when those areas were occupied by Japan, up through the post-war period when I was State Department "action officer" on the Korean War and armistice negotiations from 1950 to 1953, Coordinator of our Delegations to both the Korean and Indo-China Conference of 1954 which were attended by the PRC, and from 1954 to 1957 conducting the bilateral "Ambassadorial Level Talks" at Geneva with a representative of the PRC. I thus had a strong interest in and direct appreciation of the importance of our relations with China. When George Packard, with whom I had worked on the Japan project for the Atlantic Council, agreed to be Rapporteur, and Alfred Wilhelm, a Chinese scholar on detail to the Council as a Senior Fellow from the Department of Defense, agreed to be the Project Director, I capitulated.

I was determined that the Committee should be representative of the broad spectrum of opinions on China, and my original approaches were based on this principle. On this I found that those willing and anxious to contribute to the project exceeded my expectations, eventually totalling fifty-eight. To assure a responsible Japanese input, my longtime friend Dr. Masamichi Inoki agreed to be a member of the group, as did Philippe Deshormes, Secretary General of the North Atlantic Assembly, to represent a European view.

At the first meeting of the Committee on January 19, 1982, we discussed an outline for the project and assigned authors to write twenty-five working papers. It was agreed that each paper would be discussed in meetings of the Committee and that while the authors would be free to make any changes they desired in the light of those discussions, the author would remain solely responsible for its content. Moreover, the papers and the discussion would be used by the Rapporteur as the basis for the Policy Paper, which would seek to represent an agreed consensus of the Committee. It is my considered view, as well as that of many others, that those individual papers constitute the greatest single collection of scholarship on China that has yet been published. My regret is that because of the time, financial, and space exigencies of publishers it has not been possible to include all of these papers along with the Policy

Paper. However, the papers will be published shortly in English by Oelgeschlager, Gunn, and Hain, Inc. of Cambridge, Massachusetts.

At the outset I stressed to the Committee that the Policy Paper would not simply represent the "common denominator", but that it would be a meaningful and incisive document that should have consequences for the policies of concerned Governments. I also stressed that the proposed consultations in Beijing and Taipei did not have the objective of arriving at agreed positions with either, but rather to understand and accurately represent their points of view.

Seven formal meetings of the Committee were held, and there were numerous conversations, conferences, and exchanges of correspondence with individual members. Contrary to my fears, instead of generating sharp controversy, the papers and discussions resulted in a degree of consensus that I could not anticipate when the project was initiated.

During the study various members of the Committee and I made two visits to Beijing, one of six days in the spring of 1982, and the other of three days in the spring of 1983. In Beijing, our host was His Excellency Huan Xiang, Vice President of the Chinese Academy of Social Sciences, but we also met with the Institute of Contemporary International Relations, the Chinese People's Institute of Foreign Affairs, the Institute of International Studies, members of the Foreign Ministry, and members of the American Embassy staff including Ambassador Hummel.

In each case, we visited Taipei where we met with the Institute for International Relations, as well as with the Prime Minister, other government officials, James Lilly, the Director of the American Institute on Taiwan, members of his staff, the American Chamber of Commerce, and local Taiwan officials.

On both trips we visited the Prime Minister and other senior Japanese officials in Tokyo, Dr. Inoki and other members of the Research Institute for Peace and Security, of which he is President, as well as with Ambassador Mansfield and members of his staff.

On both trips we also visited Hong Kong, where we met with a group of American, British, and Chinese observers of the PRC organized by the Hong Kong Forum on Asia and the Pacific, under the chairmanship of Professor Kenneth Chern of Hong Kong University. We met as well with American businessmen, local publishers and press correspondents, government officials, and American Consul General Levin and members of his staff.

On the first trip to Beijing, we also visited Bangkok, Singapore, and Manila, where we met with senior government officials and community leaders, American Ambassadors Dean and Armacost, and American Embassy staffs. On the second trip we visited Seoul, where we met with the Foreign Ministry's Institute of Foreign Affairs, as well as with senior Korean officials, Ambassador Walker, and members of the Embassy staff.

Finally, we arranged to meet in Brussels with a group of European China scholars, NATO and European community officials, and appropriate European parliamentarians, under the auspices of the North Atlantic Assembly.

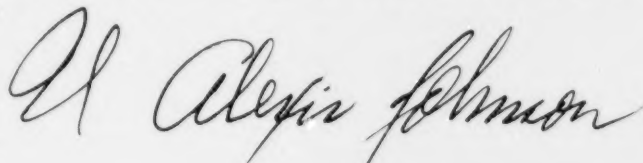
After each of these consultations, I circulated to members of the Committee

a "Trip Report" and thus sought to assure that our work took into consideration the broad spectrum of viewpoints in the area.

On June 6 a final Committee meeting was held to discuss the latest draft of the Policy Paper. The penultimate draft was circulated to members of the Committee on June 30 for comment or concurrence. George Packard, Alfred Wilhelm, and I have carefully reviewed all comments and incorporated the many excellent suggestions that were submitted. Others of substantive importance that we did not feel able to incorporate have been included as footnotes. Thus, while no member of the Committee can be charged with responsibility for every word of the Policy Paper, it does seek to reflect the consensus that emerged from the discussions and correspondence among a diverse and bipartisan group of informed Americans and their foreign colleagues.

I am profoundly grateful to the members of the Committee who contributed so much time and talent in the papers they have submitted, as well as the other members who have acted as reviewers of those papers, and all who have participated so fully and thoughtfully in the task of the Committee. I am also deeply grateful to the scores of foreign officials and scholars, as well as American officials abroad who contributed their time and wisdom. Finally, I should note my thanks to the many officials in Washington who have been so patient with the importuning of myself and other members of the Committee for information.

I hope that this study will commend itself to all those in the US Government concerned with the future of our relations with China, as well as to those in Tokyo, Beijing, Taipei, Seoul, and our associates in the ASEAN, ANZUS, and NATO capitals.

A handwritten signature in cursive script that reads "U. Alexis Johnson". The signature is written in dark ink and is positioned above the printed name and title.

October 1983

U. ALEXIS JOHNSON
Chairman
Committee on China Policy

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EXECUTIVE SUMMARY

As the euphoria of the US-PRC relationship has been replaced with the daily toil of managing the relationship, each side has grown to view the other with some caution. The present American administration has emphasized a greater concern about defense policy and the Chinese have exhibited a more assertive nationalism with calls for independence from the two superpowers, i.e. an intermediate position between the US and the USSR. Though Beijing is still in important aspects closer to Washington than to Moscow, tactical repositioning by the Chinese either closer to Moscow (as in 1982) or to the US (as appears to be emerging in 1983) has tended in the past to produce *ad hoc* policy responses by the US, responses which many of our friends and allies viewed as more emotional than pragmatic and not always supportive of their interests.

The Atlantic Council's Committee on China Policy has sought to appraise the interests of both countries, to understand where those interests converge or diverge, to break the romantic notions of inevitable harmony or hostility, and to recommend policies upon which to base a long-term relationship.

This policy paper examines the current state of bilateral relations between the United States and China; projects the most desirable and realistic objectives for the US government and ways to achieve them; surveys the prospective influence and likely interaction of other key actors who may influence the relationship; and discusses how the US can best coordinate its policies to satisfy the interests and allay the anxieties of its Atlantic and Pacific friends and allies and to avoid complicating the Taiwan question.

The Committee then concludes with the following policy recommendations to the Administration concerning future policy of the United States toward China. These are recommendations the Committee believes the public and the Congress will endorse and that our friends and allies will recognize and support as contributing to global stability and their own security.

GENERAL RECOMMENDATIONS

1. The United States Government should develop a sound long-term posture through the next decade that seeks enhanced cooperation with the People's Republic of China (PRC)—a very large and underdeveloped country—which, as an independent, non-aligned international and regional entity, shares some but not all of our global and regional objectives, particularly in Asia and the Pacific.
2. An economically healthy, stable, and secure China, which contributes to the peace and stability of the region, is in the national interest of the United States, and is an interest shared by our Asian and European friends and allies. To this end, the United States should place priority on the continued develop-

ment of a sound geopolitical relationship with China and on the enhancement of cooperation with China in developing its economic potential.

3. Relations with the PRC and other countries in the region require that the US maintain a strong military presence in East Asia and the Pacific and make clear we are committed to a forward military defense of our interests in the region.

4. The United States, more than it has the recent past, should consult with and take into account the views of its Asian friends and allies in dealing with the PRC and encourage reciprocal consultations. Specifically, the security and economic concerns of Japan, the Republic of Korea, and the nations of ASEAN and ANZUS, and the population of Taiwan should be taken into account.

5. Our Atlantic friends and allies should also be consulted with respect to our China policies and encouraged to consult with the US with respect to their policies. It is important that our respective policies be compatible, particularly in the areas of technology transfer and international trade. The United States and its industrialized friends and allies in the coming decade should do in concert what we can to facilitate China's economic development. A process for continuing consultations among the allies should be established to facilitate cooperation in helping China in such areas as joint feasibility studies for projects to be financed by government funding.

BILATERAL RELATIONS

6. The US and China share certain geopolitical objectives, such as opposing Soviet expansionism, making possible cooperative efforts in various forms. Our policy objectives with respect to Afghanistan and Indochina are similar and call for further consultations. On the Korean Peninsula, despite the fact that the US and China support different parties, our objectives in avoiding hostilities are parallel. The US and the PRC should urge their respective Korean allies to adopt policies supportive of these objectives. The US should also encourage the PRC to develop further contacts with South Korea that could point the way to eventual cross-recognition. In other areas, such as the Middle East and Southern Africa, we should seek out common interests; and wherever and whenever our interests converge, we should cooperate.

7. The basis of our relations with China should not rest exclusively on our common opposition to the Soviet Union. We should seek to expand the basis of the relationship to rest on economic, scientific, and cultural ties, on shared efforts to maintain stability in Asia, and on Chinese involvement in the search for solutions to the problems that transcend national boundaries (such as arms limitations or international economic issues).

8. While the US must show appreciation of Chinese needs, sensitivities, and domestic political environment, the same attitude is required of the PRC toward the US. If the relationship is to move forward and continue to enjoy broad public support in the US, the Chinese must demonstrate greater awareness of American sensitivities and appreciation of our domestic political system (including the separation of powers) and our pluralistic society. US officials should make clear that Chinese rhetorical excesses only serve to undermine support in the US for strengthening US-Chinese relations and complicate US diplomacy on international issues.

9. Throughout the next decade, the United States should cooperate with the PRC primarily through trade, export credits, and direct investment in the Chinese economy. The United States should facilitate and promote US private sector participation in Chinese economic growth and encourage China to establish a favorable climate for American enterprises, as, for example, in the areas of developing coal, renewable energy resources, potential of off-shore oil and gas reserves, and agriculture.

10. To facilitate commercial trade in line with US export policies, the Committee recommends that the Joint Economic Commission and the Joint Commission on Commerce and Trade and their working groups should explore each other's applicable laws and regulatory practices in order to defuse potentially disruptive trade issues stemming from asymmetries in business and government practices.

11. The US should actively promote the transfer of technologies that are consistent with China's economic development needs and abilities to absorb. At the same time, the US should continue to press the PRC to promulgate and enforce laws (patent, copyright, etc.) necessary to protect the interests of the industrialized nations in technology transferred. Correspondingly, the PRC should join such international agreements as General Agreement on Tariffs and Trade, the Paris Convention, and the Universal Copyright Conventions.

12. The Committee asserts that it is in the US national interest that the Chinese national economy move toward modernization. However, it recognizes this course involves a degree of risk since a strong Chinese industrial base could be used in the future for military purposes not consistent with our national interest. To allay these fears, a broad study should be conducted to identify and quantify the probable impact of Western technology on China's industrial capability.

13. The US should quickly agree as to how best to expedite decisions on applications for the transfer of "dual-use" technologies and should be most responsive to those requests which would best contribute to the civilian sector (communications, transportation, power supplies, renewable resources, etc.). Technologies which make a direct and significant contribution to nuclear weapons and their delivery systems, electronic and anti-submarine warfare, and intelligence gathering should continue to be withheld, though each area should be carefully examined to ensure that only the most sensitive technologies are routinely denied.

14. The US government should not press weapons systems and technology on the Chinese, but rather should wait for their initiatives. The US should be responsive to requests from the Chinese armed forces, including arms sales, in developing China's ability to protect itself. This cooperation must be consistent with US law, international agreements, and commitments to allies of the United States. However, the US should not encourage the Chinese to carry out a program to modernize and expand its armed forces to a degree that would significantly increase the Chinese capacity to project force beyond its current borders. Neither should the United States seek to enter into a military alliance with the PRC.

15. In negotiations with the USSR on strategic and intermediate range nuclear missiles, both the US and the PRC should be sensitive to the possible interests and concerns of the other.

16. The United States should actively encourage and support the education and training of the Chinese in a variety of fields: scientific and technological as well as in the social sciences, the arts, and the humanities. It is in our national interest that the coming generation of leaders in China have exposure to, and benefit from, the best that can be offered by our universities, businesses, and other training facilities.

17. The United States should ensure the future of sound research and education about China by assuring direct access in China for our scholars, scientists, and journalists, by ensuring the continued funding of our library and research facilities, by enhancing our ability to acquire and utilize the large volume of Chinese language publications available, and by encouraging our China specialists to develop their background knowledge and language proficiency.

18. The US should not construe expected improvements in Sino-Soviet relations as necessarily adverse to our national interests, but should judge such improvements with respect to their contribution, if any, to peace and stability in the region.

19. The Taiwan situation should be worked out peacefully by the Chinese on both sides of the Strait. The US Government should avoid promoting or coercing either party into adopting any particular solution, insisting only that the use of force be avoided.

I. INTRODUCTION

Relations between the American and Chinese peoples have, from the beginning, been marked by turbulence and surprises on both sides of a deep cultural, historical, and political chasm.

From an American perspective, our "sentimental imperialists" of the nineteenth century—the missionaries, businessmen, soldiers, and adventurers who served as pioneers and shapers of our images of the Chinese people—gave us a tradition of unrealistic, even romantic expectations about China—expectations which in the first half of the twentieth century led us to conceive of China as a Great Power, a potentially democratic and even a Christian nation, a vast untapped market, a fighting comrade in arms during our war with Japan and a grateful recipient of American science, technology, and culture. Our "manifest destiny", it was thought, would carry us westward across the Pacific, bringing Progress and Enlightenment to the largest nation on earth, along with satisfactions to the benefactor.

Not even a shooting war with the Chinese on the Korean Peninsula in 1950 could, as it turned out, entirely eradicate our nostalgia for a past we had imagined for ourselves and the Chinese. Despite the tensions which persisted over Taiwan, Vietnam, and other Southeast Asian insurgencies, despite their embrace of the Soviet Union and Mao's Communism, despite two decades of vitriolic denunciation of each other, a national outpouring of sentimental affection for the Chinese attended the arrival of President Nixon in Beijing in 1972—an event which rivaled Neil Armstrong's step onto the Moon and even surprised the President himself, who had long been aware of a powerful attachment on the part of some Americans to the government on Taiwan.

In the decade that followed, the relationship grew in fits and starts, with exchanges of scientific and cultural delegations, private and public citizens, high level government visitors, students and scholars, athletic teams, journalists, trade missions, consular outposts, and finally full normalization of relations on January 1, 1979—all against a background of professions of warm friendship. A major impetus for this new rapprochement was, of course, our shared perception of a growing global threat from the military power of the Soviet Union, particularly in Asia and the Western Pacific, which tended to mute our dispute over the future of Taiwan.

Throughout this decade, and in fact throughout our entire history of dealing with each other, there was no period which could be called "normal"—no time of equilibrium from which to measure aberrations. Thus, today, the task of planning a stable and predictable posture for the decade ahead remains elusive.

Today, it appears that some of the euphoria has worn off the relationship, and that each side views the other with some caution. The Chinese have moved toward a more assertive nationalism, which calls for independence from the two superpowers, and as part of this posture, they seem to be moving somewhat closer to an intermediate position between the US and the USSR, though they are still in important aspects closer to Washington than to Moscow.

They have resumed attacks on US "hegemonism", a term recently reserved for the Soviets, and have been engaging in negotiations with the Soviets.

Given the volatility of this relationship and the complexity of foreign and domestic forces which drive it forward, can a projection of likely developments and a set of policy recommendations for the coming decade be anything more than an exercise in futility?

The Atlantic Council's China Policy Committee believes that, from an analysis of the record of the recent past, with all its fluctuations, we can form a more accurate understanding of where we stand today, and can make some cautious estimates of where we are headed over the coming decade, realizing fully that there may be surprises ahead.

The Committee believes that the United States Government needs a clearly articulated concept of the American national interest with respect to the People's Republic of China—a concept which goes beyond the more narrow common security interests that have nurtured the relationship for the past decade, a concept which can lead to longer term policies aimed at producing certain outcomes which will be more desirable than other outcomes, and a concept which makes sense to our Western and Asian allies. The Committee does not wish to overstate the effect which the United States can have upon either the domestic or foreign policies of China. What is clear, however, is that the roller-coaster diplomacy of earlier years, with its secrecy, sudden shifts, jolts to friends and allies, and *ad hoc* reactive solutions to deep-seated and intractable issues, will not suffice for the decade that lies ahead.

Although there are areas of common interest yet to be explored, it should be recognized that there are very real limits to the commonality of Chinese and American interests. It will be important during the coming decade for the two countries to seek to identify and act on additional areas of common interest, particularly in the Third World, where they exist and frankly discuss those areas in which the policies of the PRC and US are or can become adversarial. Nonetheless, to the extent that China can be influenced by our actions and policy, the Committee feels that the US should encourage development of China's latent national potential within our preferred framework of norms of international conduct.

The Committee agrees with the views of many of our allies and friends worldwide that the American approach to China has been more emotional than pragmatic. It urges a more realistic premise that would recognize China's constructive geopolitical role. The Committee agrees that China is a very large and very distinct political and cultural entity capable of an increasingly influential role in world affairs, particularly as a stabilizing element in both the regional and global correlation of forces—not as a client of the United States or of the Soviet Union, but as a secure and independent power in its own right.

We should view China as a non-aligned state in a complex balance-of-power system that is emerging in Asia and, to a degree, globally. As such, China will be an independent actor, and one which, for reasons of both ideology and national interest, will not in the foreseeable future have a relationship with the US comparable to that which the US has with Japan or Great Britain. But the United States and China can have a mutually beneficial economic and cultural relationship, and can cooperate on certain political, strategic, and diplomatic

issues. To this end, the US needs to approach China with much less emotion—and much more hard-headed realism—than we have mustered in the past.

China's emergence onto the world stage over the past decade has, in fact, been a strong tribute to the quality and maturity of its current leadership, which has recognized the importance of stability to China's development. Where it might have pressed recriminations against earlier isolation by the US, it has maintained and encouraged a productive dialogue. Where it might have exacerbated tensions on the Korean peninsula, it has acted as a stabilizing force. Where it might have strained Japanese-US relations, it has in fact helped to improve them. Where it might have caused further strife in Southeast Asia, its endorsement of ASEAN has served to raise stability and confidence in that increasingly important region of the Pacific. Where it might have been a disruptive influence in the United Nations, it has acted independently, but responsibly. Where it might have chosen to trade outside Western economic institutions, it is steadily expanding its involvement in the economic infrastructure of the industrialized nations. Where it might have overextended its credit on overambitious modernization plans, it has scaled back its aspirations to coincide with its modest economic means. Where it might have turned to more extreme measures to undermine Taiwan's economy and physical security, it has not done so.

While China could have mortgaged its future on highly sophisticated Western weaponry, it has scrutinized its options but resisted exaggerating its needs or its capabilities. While it has tested its right of access to the full gamut of Western commercial technology, it has not ignored the peculiar demands of its manpower-intensive resource base. While its political ideology is incompatible with the majority of the countries with which it deals, it has demonstrated a pragmatic ability to compartmentalize its relations on separate "party-to-party, state-to-state, and people-to-people" levels. Those who seek to treat China as an inanimate counterweight in the balance of superpower military force fail to grasp the larger perspective of China's potentially positive contributions in the overall "correlation of world forces." It remains to be seen how much China's and America's political and ideological differences will inhibit our collective abilities to assist constructively in their national growth.

The Committee stresses the importance of recognizing and encouraging the current convergence of common Sino-American interests, while openly acknowledging specific areas of different or conflicting interests, and leaving substantial room for modified relations as future world events unfold and expose common threats and opportunities. For instance, we appear to share strong common interests in constraining Soviet expansion, and in developing stronger economic ties throughout the Western Alliance. We are interested in exploring with China common interests in the UN and the Third World. But we surely do not share a common political ideology and the US would doubtless seek to resist the spread of communist regimes elsewhere in Asia or the Third World. We do believe that China should be—if it is not already—militarily strong enough to deter, or at least to attach a high cost to, intimidation of China by the Soviet Union and further Vietnamese expansion into Southeast Asia.

What is needed is a steady, cool appraisal of our interests, a clear understanding of where those interests converge with or diverge from those of the Chinese, a break from the romantic notions of inevitable harmony or hostility which have plagued us in the past, and the construction, where possible, of a sound long-term relationship based on our national interests in the context of our global commitments.

What follows, then, is an examination of the current state of bilateral relations between the United States and China, a projection of the most likely objectives and options that will enhance the relationship and further our common interests over the next ten years, a survey of the prospective and likely interaction of other key actors who might influence the relationship, a discussion of how the United States can best coordinate its policies to satisfy the interests and allay the anxieties of its Western friends and allies, Japan, Korea, and the ASEAN nations, and to avoid complicating the Taiwan issue, and finally, some conclusions and policy recommendations for the future which can commend themselves to a majority of the American people and to the US government.

II. COMMON INTERESTS OF THE US AND ITS FRIENDS AND ALLIES

The United States and its friends and allies in Western Europe and Asia share an interest in pursuing closer relations with the People's Republic of China, particularly insofar as such closer relations result in economic progress for a China that is contributing to the peace and stability of Asia.

In the first decade of improved US-Chinese relations, both sides placed a heavy emphasis on shifting the strategic balance of power toward a more effective alignment vis-à-vis the Soviet Union, which was seen as a common threat. Many of our European and Asian allies and friends did not fully share in this appraisal and worried openly that the US-China rapprochement could lead toward a military relationship that the Soviet Union would view as excessively hostile or threatening. They feared that this trend, if it continued, would prove destructive to the process of détente with the Soviet Union, which had blossomed in the 1970s.

Now, as we enter the second decade of improved relations, there is an historic opportunity to shift the emphasis away from such divisive issues and toward the goal of China's economic growth within international economic institutions and legal frameworks. The time has come for the US, working in close concert with Beijing and with our friends and allies, to seize this common opportunity, both in our interest and in the interest of the Chinese.

An economically growing, secure, and modernizing China can be an important trading partner, a stable counterweight to the Soviet Union, and a valuable contributor to peace and stability in Asia and the world. A weak, vulnerable, unstable China, on the other hand, could offer a tempting target that would invite aggression.

Our European and Asian allies and friends have generally welcomed the relaxation of tension between the US and the PRC, and all of them share the

view that an improvement in economic, cultural, and political relations with Beijing is in the common interest. Most West Europeans and Japanese believe that a Chinese leadership that succeeds in solving its most pressing economic problems, and makes progress in economic development, is less likely to pose major challenges to the international community in the years ahead than a leadership that fails and encounters mounting domestic problems. Within the limits of their respective national policies, these governments are prepared to assist China economically through trade and investment and the transfer of technology.

To give effect to this general policy of encouraging Chinese economic development will not be easy. The US and its allies may find themselves competing or taking different views on questions of trade, finance, and technology transfer. China will undoubtedly seek an allocation of economic aid from the World Bank's International Development Agency (IDA), which will result in a diminishing flow of aid to other developing nations. This will result in pressure on developed nations, particularly the US, to increase its subscriptions and contributions to IDA. As part of its campaign against Taiwan, Beijing may again seek the expulsion of Taiwan from the Asian Development Bank. There will continue to be discord on such questions as whether or not to liberalize import and export controls for China. Such liberalizations will generate domestic pressures as well as pressures from our allies.

Despite these difficulties, it behooves the US and its allies to make every effort to work together to establish concerted policies that will have long-range benefits for themselves and the Chinese. For example, we can encourage more effective and realistic planning and project management in China. Joint efforts can and should be undertaken to ensure that adequate feasibility studies and planning are carried out for projects to be supported by government financing. We should encourage the PRC to continue to develop its legal framework for handling trade, patents, trademarks, economic, financial, and other related matters, and to assist China's development of quality control, management, accounting, legal, financial, and other sound business practices, for everyone's benefit. As China's worldwide commerce grows, it is in all of our interests to encourage China to integrate more fully as a member of the world economic community by joining the General Agreement on Trade and Tariffs (GATT) and participating in world intellectual property conventions. There should be continuing consultations among the US, its allies, and China on decisions that will affect China's exports, with a view to avoiding protectionism directed against China wherever possible.

While there are certain to be disagreements on these matters, the fundamental emphasis must be placed on the critical need to broaden our economic relationship with China, and to do what is necessary to ensure that the People's Republic will continue to devote its energies to peaceful growth and modernization in a peaceful, supportive environment in Asia.

III. EVOLUTION OF US-PRC RELATIONS IN THE DECADE AHEAD

A. Recent Background

The decade from the Shanghai Communiqué of February 1972 to the Joint Communiqué of August 17, 1982, saw a radical improvement in relations between the United States and the People's Republic of China, but it left unresolved the single issue that, with the exception of the Korean War, had created the most tension between them, namely, the status and future of Taiwan. From the standpoint of the leadership in Beijing, their stated fundamental national goal, reunification, will require at least the minimum step that Taiwan acknowledge their sovereignty. These leaders hold that the United States is responsible for frustrating their goal of completing the civil war which began in the 1920s.

The diplomacy of the past decade brought some gains for Beijing, to be sure. In the Shanghai Communiqué, the United States made a concession by "acknowledging that all Chinese on either side of the Taiwan Strait maintain that there is but one China and that Taiwan is part of China," and adding that the US "does not challenge that position." But the US did not then nor has it since explicitly recognized or denied PRC sovereignty over Taiwan.

The United States in the Shanghai Communiqué reaffirmed its "interest in the peaceful settlement of the Taiwan question by the Chinese themselves," and stated that "with that prospect in mind," the United States "affirms the ultimate objective of the withdrawal of all US forces" from the island and would "progressively reduce them . . . as tension in the area diminishes."

When relations were normalized (January 1, 1979), the United States made further concessions by recognizing the People's Republic of China and stating that it "acknowledges the Chinese position that there is but one China and Taiwan is a part of China." Washington agreed to end formal diplomatic relations with the Republic of China, terminate its defense treaty with it, and withdraw all its military forces from the island. (In fact, all US military forces had long since been withdrawn from the island.) But the United States stated that it would "maintain commercial, cultural, and other [unofficial] relations" with Taiwan, and that it "expects that the Taiwan issue will be settled peacefully by the Chinese themselves." Four months later, the US Congress insisted on reinforcing our relationship with Taiwan by its overwhelming vote in favor of the Taiwan Relations Act.

Under the Taiwan Relations Act (TRA) of April 1979, which appeared genuinely to disturb the PRC leadership, the United States formally declared that it would make available to Taiwan "arms of a defensive character," and asserted that the United States itself should "maintain the capacity . . . to resist any resort to force or other forms of coercion" threatening to Taiwan's security or its "social or economic system." In FY 1979 and 1980, US Foreign Military Sales to Taiwan averaged more than half a billion dollars a year.

The Chinese had tacitly agreed to defer the issue of arms sales to Taiwan, while publicly making clear their unalterable opposition in the long run to such sales. However, a number of events, including the increase in dollar value of military sales following the passage of the TRA, resulted in the matter

becoming a contentious issue within the Chinese political leadership. Some leaders appeared to take the long view that normalization would bring about a gradual reduction of US arms support for Taiwan and a willingness on the part of Taiwan leaders to negotiate a final settlement, while others apparently argued that continuation of such sales could lead to the permanent separation of Taiwan from the mainland.

In any event, normalization in 1979 brought a new surge of contacts and exchanges between the two countries and, as tensions between the United States and the Soviet Union rose following the Soviet invasion of Afghanistan in December 1979, it was natural that the question of military cooperation with the PRC would arise. Within the US Government, some argued for military sales and assistance to the PRC to the grounds that "the enemy of my enemy is my friend," and that such gestures, besides strengthening Chinese armed forces and cementing the relationship with the Chinese, would also have a symbolic value in sending warning signals to the Soviets. A series of US decisions, first by the Carter Administration in 1980, and then by the Reagan Administration in 1981, authorized sales of "dual-use technology of possible military use", then authorized sales of nonlethal military support equipment. There were also press reports in 1981 to the effect that the United States and China had, in 1980, begun joint operation of two stations in northwest China to monitor Soviet missile tests, using American technology and Chinese personnel.

The next major effort by the US to broaden US-China ties in the military-security field came during June 1981, when Secretary of State Alexander Haig visited Beijing. It was announced then that Washington had decided to remove China from the list of prohibited destinations for munitions control purposes, thus opening up for the first time the possibility of American sales of lethal military equipment to China, the precise list of which would be determined on a case-by-case basis. Subsequently a Chinese mission with a shopping list was planned for by the fall of 1981.

Others within and outside the US Government questioned whether such sales were in the long term US national interest. The various offers seemed based on *ad hoc*, unrelated decisions, often prompted by "trip-book diplomacy," i.e., the need for each American visitor to Beijing to bring some new concession or expansion of the relationship in order to maintain "momentum" in consolidating the relationship. Other American offers came in response to particular Soviet activities, such as the "discovery" of the Soviet brigade in Cuba, or the Soviet invasion of Afghanistan. Questions were raised about the Chinese capacity to use advanced technology effectively, and whether these moves were needlessly provocative of the Soviet Union, adding fuel to its paranoia about a two-front war arising from a Chinese-American threat to its Eastern flank.

In 1980 and 1981, intense debate occurred within the US Government over the possible sale of the FX advanced aircraft to Taiwan (either the F-5G or F-16/J79). Beijing vehemently opposed such a move, and threatened to downgrade diplomatic relations if it were made. In January 1982, the Chinese were informed in Beijing that the United States would *not* sell the FX to Taiwan, but that it *would* permit continued coproduction in Taiwan of the less

advanced F-5E—the principal aircraft in Taiwan's air force—and would approve a sizeable sale of military spare parts to Taiwan. Subsequently the Congress was notified of the intended sale of \$60 million in spare parts.

Meanwhile, in the latter part of 1981, the Chinese shifted to a tougher line, and, broadening the issue from the FX to all arms sales, demanded that the United States set qualitative, quantitative, and time limits on *all* arms sales to Taiwan. At about the same time, they dropped their earlier interest in sending a military purchasing mission to the US. However, by early 1983 the PRC was negotiating through US commercial channels for the purchase of the Hawk and Tow missiles, two items on their 1981 list.

Beijing also stepped up its campaign for peaceful reunification, offering a nine-point plan on September 30, 1981, under which Taiwan could "enjoy a high degree of autonomy as a special administrative region," and it could "retain its armed forces." Under the plan, "the central government will not interfere with local affairs on Taiwan," and "Taiwan's current socio-economic system will remain unchanged, so will its way of life and its economic and cultural relations with foreign countries." The PRC plan promised that there would be no encroachment on private property rights or foreign investment in Taiwan. Industrialists and businessmen in Taiwan could "invest and engage in various economic undertakings on the mainland," with their legal rights, interest, and profits "guaranteed." Taiwan's leader promptly denounced the plan as a trick. Observers pointed out that, if Taipei accepted the PRC's offer, including PRC sovereignty over the island, there was no assurance that Beijing would live up to its promises and guarantees. Indeed, the case of the Chinese rule of Tibet was less than reassuring on this score.

A long internal debate within the US Government and intense negotiations with the Chinese led to a compromise agreement on the issue of arms for Taiwan. In a joint communiqué on August 17, 1982, Beijing cited its intention to strive for a peaceful solution to the Taiwan question, stressing that this was a "fundamental policy". The United States, reaffirming its earlier recognition of the People's Republic of China as the sole legal government of China, and acknowledging the Chinese position that there is but one China and Taiwan is a part of China, stated that "it does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years, . . . and that it intends to reduce gradually its sales of arms to Taiwan, leading over a period of time to a final resolution." The United States linked its commitment to a continuation of efforts by the PRC to reach a peaceful solution.

Simultaneous with the issuance of the communiqué, each side offered interpretations which foreshadowed future disputes. A Chinese spokesman asserted on August 17 that the "final resolution" of the arms sale issue referred to in the communiqué "certainly implies that the US arms sales to Taiwan must be completely terminated over a period of time." Meanwhile, President Reagan stated, "We have paid particular attention to the needs and interests of the people of Taiwan." He added, "My longstanding friendship and deep concern for their well-being is steadfast and unchanged." Several prominent Senators, concerned about the future of Taiwan, denounced the communiqué.

In February 1983 the PRC pointed out, as proof that the US will not honor the communiqué, the US sale of 66 obsolescent F-104s from the Federal Republic of Germany to Taiwan. Even more troubling to the Chinese was President Reagan's February 26 interpretation of the Communiqué, in a response to his conservative critics, right after Secretary Schultz's return from Beijing. He said that "If the day ever comes that those two [the PRC and Taiwan] can get together and become one China, in a peaceful manner, then there won't be any need for arms sales to Taiwan." This statement seemed to link PRC settlement with Taiwan to a particular course of Chinese behavior, a linkage which the PRC denounced as unacceptable. It seems clear that the issue will continue to fester also as a domestic political controversy both in Beijing and in Washington.

Meanwhile, Beijing seemed to be shifting its balance somewhat between the two superpowers. This became apparent as early as 1980, when the Chinese, probably for domestic political reasons, took a different stand from the US on the Polish Solidarity movement and on several other international events. In a speech to the 12th Congress of the Communist Party on September 1, 1982, Chairman Hu Yaobang asserted that both Washington and Moscow were bent on "global domination" and portrayed China as seeking to unite with the Third World to "upset the strategic plans of the superpowers." This was a marked shift from earlier Chinese statements that the Soviet hegemonism represented the greatest threat to world peace.

There are several possible explanations for this shift. It is possible that the Chinese leadership now feels it has wrung as many benefits as it can from the rapprochement with Washington for the time being, and that it can exact more concessions from both sides only by taking the middle ground and bargaining. It may appear that, as a political reality, it has pushed Washington as far as it can on the Taiwan issue. It may also seem that the Soviets, bogged down in their problems in Poland, Afghanistan, and elsewhere, and facing a succession problem as well as enormous economic difficulties at home, represent less of a threat, and that efforts to enhance the American counterweight are consequently less urgent than promoting ties with the Third World. The Chinese also have feared they were becoming too closely associated with the United States—with the danger that they would be perceived as a *status quo* power. Domestically there were conservative factions that feared that the doctrinal purity of the Party was being diluted.

Yet in mid-1983, despite continuing differences over the August 17 communiqué, problems with textile quotas (later resolved) and railroad bonds, and the PRC's decision to cancel part of this year's schedule of cultural and sport exchanges with the US following the granting of political asylum to the Chinese tennis star, Hu Na, by the US, the United States and China were continuing trade, keeping their doors open to each other along a broad range of cultural, educational, scientific, technological, and military fronts; were preparing to explore, through major investments by US oil companies, China's offshore oil potential; and were planning visits by the US Secretary of Defense and the PRC Foreign Minister. It also seemed clear, however, that Taiwan would remain, as it had for 33 years, an important divisive issue.

B. Evolution of Policy in China

It should be stated at the outset that any effort to predict events involving the United States and China for a decade in the future is extraordinarily difficult. One needs only to look back at the past decade, with its totally unexpected developments, to be awed by the task. Our knowledge of events and movements in China, especially in the vast hinterland away from the capital and urbanized coastal areas, remains fragmentary and is not likely to improve substantially. In addition, the variables within the bilateral relationship and outside it, among the key actors such as the Soviet Union, Japan, the nations of Southeast Asia, and the Koreans, and the tide of events within Taiwan itself (which cannot be taken as a mere pawn in the game) tend to be so numerous as to defy comprehensive analysis.

The Committee has concluded, nevertheless, that history can teach how to identify more and less successful policies, and that based on certain likely trends, there are better and worse ways to manage the process of making and implementing policy toward specific outcomes, and away from known risks. However foolhardy it may seem to attempt to predict the future of this relationship, the failure to make the effort could lead to policies which would be contrary to the national interests of all concerned.

The People's Republic of China has emerged from the catastrophic upheavals of the Cultural Revolution and its aftermath (1966-1976) and the experimentation with radical socialism to a period of consolidation and cautious reform under the leadership of Party Vice Chairman Deng Xiaoping and a pragmatic group of followers who appear, at least for now, to be tightening their grip on the Communist Party, the People's Liberation Army, and the bureaucracy. Major reforms are underway to recover from the irrational policies of Mao's late years. A program for modernizing agriculture, industry, science and technology, and the army has been launched. The "cult of personality" in leadership style is being abolished. Higher education is being revitalized, with the help of foreign training. Older bureaucrats are gradually being retired. Leaders of the Cultural Revolution appear to have been eased out of key positions in all areas. One cannot be sure how much longer Deng Xiaoping, at 79, will remain in charge, but he has apparently succeeded in placing younger colleagues in key positions where he hopes they will remain after his death.

1. Economic Policy:

The critical determinant will probably be the performance of the Chinese economy under the new leadership. Most experts agree that China has enough energy resources and mineral wealth to achieve economic modernization and become an industrial giant, albeit with a low per capita income. It is not so certain that their basic system of central control and planned allocation of resources—transplanted with some adaptations from the Soviet system in the mid-1950s—can overcome enormous obstacles, including the mistakes of the Maoist era. After three decades of major economic development programs, the Chinese economy today remains underdeveloped, with low per capita GNP (around \$300 in 1982), low productivity in labor, a large share of the labor force engaged in agricultural production, and an economy in which the process

of capital accumulation and technological innovation fails to produce significant and sustained increases in standards of living or in labor productivity. Despite some pockets of advanced development, China will in the aggregate remain over the next decade and probably into the next century an underdeveloped economy. Although favorable growth rates have been achieved over the past three decades, these may not be sustainable over the next decade, for Chinese labor productivity has seriously declined during this period and is declining today. The current Chinese leadership appears to have understood this dilemma, and is clearly searching for a new development strategy and policies which can offer a better hope of success. They explicitly admit that, in the next decade, their economic strategies and policies will be aimed at correcting the ills inherited from the past rather than trying to sustain the unrealistic growth target rates of the past three decades.

In the short run, the Chinese must deal with an economic system crippled by tremendous wastes and inefficiencies arising from inappropriate allocation of resources and inappropriate management. By investing too much in heavy industry (the Soviet model), the Chinese have failed so far to build an appropriate capital and manpower base that will sustain rapid growth in the future. Neglect of agriculture, transportation, urban development (especially housing), energy, consumer goods, and construction materials have led to serious imbalances and bottlenecks, threatening growth even in the favored sectors. Neglect of agriculture, for example, has meant, at least until recently, a failure to increase per capita consumption among the 80% of the Chinese population in rural areas—a fact that has obvious political ramifications.

Another immediate problem facing China's economic planners is that under the Maoist principle of self-sufficiency, foreign trade had been regarded as a necessary evil, and this had meant that China had foregone significant economic benefits made possible by international specialization in production. China's present leaders are currently pursuing a more open economic strategy, but it is not clear if they will succeed, nor how they will find the means to pay for the large increase in imports that economic development requires.

The Maoist principle of self-sufficiency also led to significant restrictions on the borrowing of modern technology from abroad and excessive reliance on the development of an indigenous technological base. The question of whether Chinese leadership can overcome this bias and create a means of keeping pace with technological development abroad lies at the heart of whether economic modernization will be possible in China. Again, it seems that the post-Mao leadership intends to change course and to seek to import a substantial amount of new technology.

Certainly the Chinese have shown their interest in progressing toward assimilation of higher technology by sending thousands of their brightest students for prolonged periods of advanced study in the United States, Western Europe, and Japan. When these foreign-trained students return to the PRC they will create pockets of competence in a variety of fields.

Another problem of the past three decades has been the wild fluctuations in levels of investment, aggravated by political struggle between competing factions of the Party. These have produced alternating periods of "great leaps" followed by retrenchments which have produced considerable waste and

inefficiency, and it is by no means certain that the Chinese leadership coalition has reached a political equilibrium which will allow for stable policies over the next decade.

Management inefficiencies also became worse over the past three decades, and China's leadership faces the enormous problem in the next decade of creating an institutional/organizational framework in various enterprises, decision-making groundrules, and an incentive system to reverse the current downward trend in total factory productivity.

Current Chinese leadership seems aware of these problems and has adopted an "Eight Character Program" aimed at "readjusting, restructuring, consolidating, and improving" the economy. Among the reforms is a call for an increase in the level of technology effectively used in production, both by facilitating and increasing the borrowing of modern technology from abroad and spreading it more widely throughout the economy.

The Committee believes that the current leadership has made a rational analysis of China's economic problems in the modern era, and is adopting pragmatic policies for dealing with them. The United States has an obvious interest in the success of China's modernization efforts. An economically progressing Chinese nation with a stable government in control of its own population is eminently desirable. The alternatives—failure to make progress toward modernization and political stability, or the rebirth of regionalism and the catastrophic breakup of China into warring units and factions—would bring serious instability to Asia and to the world. Although there is a limit to what the United States can do to support current economic trends in China, those few things that can be done should be done. Specifically, the provision of technology for peaceful purposes in energy, light and heavy industry, and agriculture—technology suited to the conditions of an underdeveloped economy, and technology specifically requested by the Chinese—should be made available whenever possible. Educational opportunities and vocational training, where sought by the Chinese, should be offered. Advances in science, medicine, and agricultural technology, where helpful and applicable, should be made available to them on the same basis as to other friendly, non-aligned, developing countries.

Even if the Chinese leaders adopt the wisest conceivable policies, and receive the maximum help from the United States and other foreign nations, they must grapple with population and food problems of a magnitude never before encountered on this planet, problems that cannot possibly be "solved" within the decade under consideration or even in the 20th century. Though the Chinese statistics indicate that they have brought population growth down from an annual rate of 2.4 percent (1952-57) to 1.3 percent (1975-81), current demographic facts make further decreases extremely difficult. Their population today of about a billion is almost twice as large as in the early 1950s, while the cultivated area is slightly smaller and more than 70 percent of the labor force is still engaged in agriculture. The implications are horrendous. There will be massive unemployment or underemployment—more than 100 million surplus laborers in the countryside by the end of the 20th century according to preliminary Chinese estimates—as well as massive increases in demand for consumer goods, especially food. Pressure to migrate to the cities will result in

either Draconian methods to prevent such migration, or massive unemployment in the urban areas. The leadership will be faced with rising expectations for increases in per capita consumption, especially food and housing. It will be under intense pressure to adopt a more rigid birth control program, which will increase discontent in the countryside and which may or may not be effective.

The challenge facing the leadership will be to introduce technology throughout the agricultural sector which increases output and which is *labor-using*, not labor-saving. To meet the challenge, modest gains in consumption must also be achieved, and unprecedented methods for increasing employment discovered. Policies for reducing inequalities between the richer provinces and the poorer must be found. While the situation is not hopeless, it does seem to indicate that China's earlier plans of becoming a strong, rapidly modernizing nation by the 1980s cannot be achieved even in the best of conditions. It also raises serious problem for political leaders.

2. Domestic Political Policy:

Given the complex of grave problems the leadership faces, it is also virtually impossible to predict with any confidence future political developments in China, and their effect upon foreign policy and US-Chinese relations. Three possible scenarios are:

- a) A continuation of the present situation, with current leaders and their like-minded successors exercising maximum efforts to modernize through pragmatic policies, leading to modest economic progress despite huge difficulties. China would remain relatively open to international influences as a condition of modernization, and would move only marginally toward the Soviet Union, while maintaining fairly close ties with the United States.
- b) Internal factional disputes, economic failures, foreign setbacks and weakness, with the danger of war abroad and revolution at home, would present the Party leaders with crisis after crisis, leading to the weakening of central control and the emergence of varying degrees of regional independence.
- c) Faced with setbacks in their effort to modernize and in their foreign policies, the Party would turn to repression, harsh discipline, and "internal remedialism" in the bureaucracy, and recentralization in politics and economics. The ideologues would defeat the technician-managers. A new charismatic strongman could arise, supported by disgruntled sectors of the military, and impose a kind of bureaucratic Stalinism on the country. New Maoist-style campaigns would be launched. Relations with the United States probably would be cut back, as China possibly moved closer to the Soviet Union. Security and stability would be threatened in Asia.

These are, of course, only three of a large number of possible scenarios, whose precise dimensions are impossible to predict. It is possible to imagine dynamic alternation among them or a combination. While the current administration has demonstrated a high degree of consistency and stability, and the first scenario today appears to be the most likely, none of the above nor other possibilities can be ruled out. Some implications for US policy-makers are

evident. Stable political leadership committed to modernization through rational, pragmatic policies is desirable. The use of their resources for economic development rather than military might is also desirable. A foreign posture which permits the introduction of much-needed technology from the West will assist the process of modernization. Concentration on domestic goals rather than adventures abroad is sensible. However, the danger of less favorable political developments which would be totally beyond our control, and which could arise almost without warning, should be kept in mind at all times.

3. Foreign Policy:

Chinese foreign policy goals will of course be affected by the economic and political factors cited above, but they will almost certainly be built upon four main aims leading toward becoming a major power: the achievement of security, development toward modernization, independence, and reunification. Security requires the avoidance of a disastrous war with either the United States or the Soviet Union which could wreck all current plans. A part of this aim would be the maintenance of a favorable balance of power in Asia. Modernization would seem to require (although some Chinese leaders may have different ideas on this) the maintenance of some minimum level of relations with the United States and the West, in order to have access to technology, capital, and management know-how. This requirement need not prevent improvement of state-to-state relations with the Soviet Union, and in fact it is likely that the People's Republic may move further toward an independent position between Moscow and Washington, tactically continuing to shift its balance between them, in order to increase its leverage with each of the superpowers. This movement will of course be vitally affected by the policies of the Soviet Union and the United States toward China and toward each other.

Finally, China will seek to assume a strong voice among the nations of the Third World as a means of enhancing its international role while preserving its independence from each of the superpowers. It may well also seek closer ties with Japan and Western Europe for the same reason. It is not at all certain that the Third World, with its numerous and shifting power centers, is prepared to accept Chinese leadership, however, nor that China can afford costly aid ventures merely for prestige.

The selective use of assertive nationalistic themes to unify the Chinese people behind the government's policies will enhance the possibility of achieving the other three goals. Taiwan, Hong Kong, and other possible irridentist claims are specific objectives whose value as instruments of foreign policy may exceed their intrinsic importance.

4. Defense Policy:

In the mid-1960s, the Soviets began a buildup along the Sino-Soviet border which by 1968 posed a serious threat in the eyes of China's leadership. This threat undoubtedly began to cause the Chinese leadership to see the Soviet Union as a threat increasingly surpassing that posed by the United States. By the early 1970s, Zhou Enlai had begun to speak of the Chinese second strike threat to the Soviet Union, thereby producing an element of stabilization in the

Sino-Soviet conflict. However, to reduce the likelihood of war, additional efforts were needed.

As calculated in Beijing, the development of the relationship between the PRC and the US over the past decade helped to diminish the likelihood of a Sino-Soviet war. Pressure from within the PRC for rapid, large-scale modernization of the People's Liberation Army (PLA) to deal with the Soviet threat has correspondingly decreased. With the US playing a helpful strategic role, and the perception of a diminished Soviet threat, China's leaders have been able to deflect many of the demands on scarce national resources for expensive foreign and domestic weapon systems and to direct those resources to the building of China's economic infrastructure. Investments in such long neglected areas as the PRC's transportation and communication infrastructure and in China's ability to absorb and proliferate new technologies will greatly enhance the PRC's ability to become an independent major power after the next decade.

Deterrence of a Soviet attack is increasingly only partly attributable to the role of the US. Chinese advances in strategic nuclear weapons have played on Soviet fears of war on Soviet soil, enhancing the credibility of the PRC's retaliatory capability. Soviet experiences in Afghanistan and Chinese experiences in Vietnam have made both more appreciative of the complications involved in a "people's war". Despite the PLA's relative deficiencies in the equipment and doctrines of the modern battlefield, continuing improvements in organization, training, and the acquisition of selected equipment, coupled with a better appreciation of the strengths of China's physical features (vast territory and population, dispersed industries), cultural legacy, and historical experiences have enhanced the confidence of China's leaders in their own ability to cope, in however costly a manner, with a Soviet attack.

With their somewhat enhanced image of China's ability to defend against a Soviet attack short of a third world war, China's leaders are focusing more attention on China's role in a general war. Under such conditions, Soviet concern about the possibility of strategic cooperation between the PRC and the US and NATO will be important. Through the next decade, therefore, the Soviet Union should not be allowed to overlook the possibility of China as a possible second front with which the Soviets might have to deal in any conflict.

The US and the PRC will, over the coming decade, be required to balance their need for geo-political cooperation against the great reluctance by China to allow cooperation to appear as dependence, much less as a cooperative defense or alliance effort. Technology transfers will be sought, as in recent commercial negotiations, but purchases of equipment to upgrade significant conventional forces will be minimal. Relations that will enhance the PLA and the US-PRC strategic relationship without giving high capital investments will be cautiously sought.

C. Evolution of Policy in the United States

The United States entered into its current period of rapprochement with the People's Republic of China in 1971 based on its calculation of regional and global balances of power. The Sino-Soviet split shifted the world balance of

power in a favorable direction. A comparable calculus prevails today and is likely to remain valid in the coming decade. The Chinese and Soviets, if ideologically united and coordinated militarily, could pose a significant threat to the United States as well as to our European and Asian friends and allies. Our policies must not serve to enhance the likelihood of such a development.

At the other extreme, actual warfare between the Chinese and Soviets cannot be in our interest. There would be a danger of being dragged into such a contest against our will. Such a war could quickly escalate to the nuclear level, with unforeseeable consequences from nuclear and political fallout around the globe. The devastation and disorder that would result from either a conventional or nuclear war, and the possible dismemberment of China, could not possibly be a desirable outcome. Even those who might hope that such a war would reduce the size of the Soviet threat to our own interests could not be sure of the outcome; an opposite result is equally conceivable.

To reduce the likelihood of either extreme coming to pass, there are a number of options for US policy makers. Questions for the next decade will include the following:

- a) Since it is likely that the Soviet Union, with its growing military might and its ability to project that power to all parts of the globe, will for the coming decade represent by far the greatest potential threat to US security, how should we manage our security relationship with China so as to help preserve the world balance of power? Specifically, to what extent, if at all, should we encourage and contribute to building up China's military power?
- b) Outside the military sphere, how much transfer of scientific and technological information and know-how is it in our interest to transmit to the Chinese?
- c) What other kinds of economic aid, and in what degree, should be made available to the Chinese?

1. US-China Economic Relations

As stated above, the major opportunity for the United States and its friends and allies in Europe and Asia is, for the coming decade, to broaden the emphasis from the strategic to the economic, scientific and cultural dimensions of our relations with China, and to do in concert what we can to facilitate China's economic development.

To do so, US policy should stress private sector economic cooperation with China, primarily through trade, export credits, and direct investment. To support the private sector, the US government should continue to offer Ex-Im Bank credits, to provide Trade and Development Program support for such activities as financing project planning services leading to the sale of US technology (both goods and services) in support of China's economic development, and to offer limited government assistance for training.¹

¹Jeffrey B. Gayner comments: "The report does not indicate the extreme caution with which the development of economic relations with China should be pursued, particularly given the experience in dealing with other communist countries. Moreover, the US should only encourage major economic investments and more liberal trade terms with the Chinese if we have some greater assurance than at present that their economic system will change significantly away from their Soviet legacy. Much greater movement in the direction of decentralization and the use of incentives must be encouraged. It would be both futile and even counterproductive to assist a system that remains structurally unsound."

a. *Trade:*

Normal trade which benefits both nations economically but which does not jeopardize the US lead in the development and application of technologies at the cutting edge is desirable, not only for its economic value but also for its value in strengthening political bonds and decreasing the Chinese need for economic ties with the Soviet Union. Closer trade ties between the Chinese on one hand and our Western allies, Japan, and the nations of Southeast Asia all have the effect of bringing China into the international economy after years of isolation, and are also desirable. On the other hand, an obstacle in our relationship may be the export of American culture—the development of consumer tastes along Western lines, or advertising for life-styles that are unattainable—which could be a matter of concern to many Chinese leaders.

The PRC is already a significant trading partner of the US and is likely to grow faster as a market than many of our traditional trading partners. In 1982, Sino-American trade was \$5.2 billion. With US exports of \$2.9 billion China ranked 18th as a US export market. Although still far behind Japan (\$21 billion), it is only slightly behind Taiwan (\$4.4 billion) and South Korea (\$5.5 billion) as a market. As China develops its natural resources (such as offshore oil, coal, renewable resources, agriculture, and strategic minerals), its importance to the American economy will grow, not only as a market, but as a source of natural resources.

As a result of efforts to date, there is now a substantial, long-term Western commercial presence in China. Western companies have made direct investments in 48 China joint ventures (78-81 when ventures in the Special Economic Zones are included). More than 500 foreign commercial firms operate permanent offices in the country. The opportunities for continued growth of commercial cooperation between the US and China is significant but also offers areas of future competition and contention.

A source of contention in bilateral trade relations is the issue of market protectionism in both countries. American industries, alarmed by the sudden appearance of Chinese products on the domestic market after the PRC was granted Most Favored Nation (MFN) tariff status in 1980, have filed a number of petitions with the International Trade Commission. These petitions have sought to restrict Chinese imports of such items as ceramic ware, textile piece-goods and canned mushrooms. It must be noted, however, that even under MFN tariff rates, China continues to buy more from us than it sells. The US bilateral trade surplus totaled \$2.7 billion in 1980, \$1.70 billion in 1981, and \$621 million in 1982. When combined with China's earnings from the US via "invisibles" (tourism, etc.) in 1982 the PRC achieved a net bilateral surplus in the economic relationship.

China's non-market economy, low wages, and lack of cost accounting make it particularly vulnerable to charges of unfair trade practices, and these charges are likely to continue. Chinese planners, however, place a tremendous emphasis on a bilateral trade balance with China's major trading partners, and if the PRC is to continue buying large quantities of American products, there is a clear need for Chinese products to have fair access to the US market.

There are, of course, impediments to the growth of US-China trade which stem from policies and practices in the PRC. A notable example is China's

lack of legal protection for foreign technology. The PRC has no patent law, and it has not yet joined the Paris convention. Concerning imports, there have been complaints that "exclusive" arrangements with US distributors have been unreliable. Other problems include a reluctance on the part of China's financial institutions to extend loan and performance guarantees, and China's failure to promulgate domestic laws that directly affect foreign investment in China.

Perhaps the best way to minimize serious confrontation over these issues in the future is to reinforce the mechanisms that have been established for regular bilateral consultation. Through these mechanisms, China could be alerted to industry concerns before they come to legal action, and could be helped to diversify its exports to the US.

The bilateral Joint Economic Committee (JEC) was established in 1979 to coordinate economic relations between the US and China in order to strengthen and expand these relations. The US Department of Treasury and the Chinese Ministry of Finance are the responsible agencies. The bilateral Joint Commission on Commerce and Trade (JCCT) was conceived by the Department of Commerce and proposed to the Chinese nearly two years ago. The first annual meeting of the Commission was held May 24-26, 1983, in Beijing.

The Committee feels that through the use by the JEC and JCCT of their respective working groups, which could meet between annual meetings to consider economic and trade problems and explore each side's applicable laws and regulatory processes, much could be done to defuse explosive issues arising from asymmetries in business practices. Trade problems concerning export controls, foreign investment, financing and legal issues, as well as protectionism, could be addressed by these forums.

None of these problems will be solved quickly or easily. What is necessary for the near future is attention to mechanisms for bilateral consultation. Commercial relations between the US and China are still in their infancy, but they have grown beyond the point where they can be dealt with through "trip diplomacy."

b. Advanced technology transfers:

One of the most vexing current problems between the United States and China revolves around the transfer of advanced technology to the People's Republic of China. Which items, of what degree of sophistication, at what risk of unagreed conversion to military use by the Chinese, under what laws and circumstances, should be transferred? These issues are not easily resolved and will continue to be troublesome. How decisions will be arrived at within the American Government and under what guidelines have not been articulated as of this writing (July 1, 1983), though the problem was receiving attention at the highest levels.

The Chinese are seeking a vast range of advanced technology in areas such as computers, telecommunications, software, nuclear energy, oil exploration equipment, and the like. The United States has declared itself in favor of "a strong, secure, and friendly China". Common sense would indicate that the US Government should be willing to sell advanced technology to the Chinese except where such technology could be used either by the Chinese, or by third

parties to whom it could be disclosed, for purposes inimical to our national interest.

But the matter is not so simple. Ever since normalization, the US Government has struggled with these questions:

- 1) What criteria should govern decisions within the US Government on the transfer of "dual-use" technology (i.e. technology with both civilian and military applications)? As a friendly non-aligned country China, in June 1983, was transferred by the President to a category which includes the NATO countries, India, Yugoslavia, and others, but it is not yet clear what operational effect will follow from this. Certainly China should not be treated as harshly as the Soviet Union, in which category China had originally been placed, but neither should it qualify for the same kind of treatment as our NATO allies and Japan.²
- 2) By what process should national security considerations condition or prohibit sales of equipment that are too sensitive for transfer?
- 3) How can proprietary interests in certain equipment and technology be protected once it has been transferred? The Chinese do not currently adhere to international conventions on trade (e.g., GATT), patents, copyrights, etc.

The Committee proposes the following general concepts and recommendations as its approach to these difficult issues.

- 1) The transfer of a broad range of technologies can have desirable results not only for the Chinese economy but also for the US-China relationship. However, the Committee recognizes that a strong Chinese industrial base could be used in the future for military purposes not consistent with our national interest. To allay these fears, a broad study should be conducted to identify and quantify the probable impact of Western technology on China's industrial capability.
- 2) The US Government should be most responsive to Chinese requests for "dual-use" technology for use primarily in the civil sector (communications, transport, power supplies, renewable resources development, etc.). On the other hand, technologies that would make a direct and significant contribution to nuclear weapons and their delivery systems, electronic and anti-submarine warfare, and intelligence gathering should continue to be generally withheld, though each area should be carefully examined to ensure that only the most sensitive are automatically denied.

²Christopher H. Phillips dissents from the advanced technology transfer section (pp. 34-36) and comments: "The administration has publicly explained that its decision to move China to Country Group V under the Export Administration Regulations 'is intended to emphasize that sales to China should take place on a similar basis as to most other friendly countries' (Department of Commerce press release, June 21, 1983). This means that the export of most goods and technology will be routinely approved and not subject to a worse-case analysis of how they *could* be used."

"There are risks in selling dual-use goods and technology to any destination. In moving China to the V Group, however, the administration is saying, and I agree, that such exports to China should be restricted only when the risk to the national security is clearly and demonstrably greater than that involved in selling to other V Category Countries to which such items would be approvable for export."

- 3) The Committee also recognizes the importance in evaluating technology requests of the need to protect the US lead in the development and application of critical military technologies. Other factors should include the degree of protection accorded US interests, economic need, ability to absorb, intended use, and willingness to accept standard US restrictions against the onward transfer of certain technologies to third countries/parties.
- 4) Since the issues have become so sensitive, the US Government must quickly come to an agreement within its own ranks as to how best to expedite decisions, so that promises and agreements can be kept. Having said this, it should be added that each request will raise specific and possibly unique questions having to do with complex scientific, military, and technological questions that are beyond the competence either of this Committee or of many government decision-makers to resolve in any orderly and predetermined fashion. What is important, though, is that these matters be handled with care and high-level attention, and that they not be permitted to fester endlessly within the bureaucracy.

These problems will continue to trouble the relationship throughout the coming decade. However, the Committee urges the US Government to point out to the Chinese Government that there is much it can do to ease the difficulties.

First, it must understand the difference between the private and public sectors in the United States—a difference that does not exist in the PRC, at least in theory. Commitments and promises made by US firms to Beijing are not the same as official approval by the US Government.

Second, if it desires to be treated as a friendly, non-allied nation, it should take rapid steps to integrate itself into the existing international framework for trade and technology transfer, with appropriate domestic implementing legislation.

For its part, the US Government must keep in mind that the PRC can turn elsewhere for many types of technology, either to our allies or to the Soviet Union or Eastern Europe. In formulating our own guidelines, it makes little sense to create ill will on the part of the Chinese and economic hardship for American businesses by prohibiting the export of certain technology if the Chinese can just as easily obtain it elsewhere.

With respect to our allies, the US Government should associate with other Western nations in working with the PRC to identify, promote, and facilitate the transfer of those technologies which are consistent with China's economic development needs and abilities to absorb, and the common security interests of all nations concerned.

Finally, in the new world where the use of technology and management come together, it should be remembered that there are distinct national advantages for the United States in establishing close connections with the advanced sectors of the People's Republic of China, through the transfer of

management and organizational techniques, English language training, and other common programs which accompany the transfer of technology. Other things being equal, it is far better for the Chinese to develop a relationship in these areas with us or other Western countries than to become dependent on the Soviet Union.

2. Mutual Understanding

When Sino-American relations go through a period of some erosion, as they did from mid-1980 to August 1982, there is a tendency for Beijing to castigate the United States for being insensitive to China's needs, especially, of late, its sense of sovereignty. While the US must show appreciation of Chinese needs, sensitivities, and domestic political context, the same is required of the PRC toward the U.S. If the relationship is to move forward and continue to enjoy broad public support in the US, the Chinese must demonstrate greater awareness of American sensitivities and appreciation of our domestic political system (including the separation of powers) and our pluralistic society. For example, the US press, unlike that of the PRC, is not the official voice of government, and thus US policy should not be inferred from the press. Continual hectoring of the US or inflammatory public statements on specific issues can only irritate American officials and public alike. The tendency to lump together the US and the USSR in terms of hegemonial policies or threats to peace, the sharp attacks on American policies in the Third World (even when they objectively serve Chinese interests by eroding Soviet influence) should also be held in check. US officials should make clear that Chinese rhetorical excesses only serve to undermine support in the US for strengthening US-Chinese relations and complicate US diplomacy on international issues.

3. US-PRC Security Relations

The United States' security interests and policies for the coming decade will rest on the fundamental assumption that our relationship with the Soviet Union will remain intensely competitive, that the Soviets will probably continue to sustain a steady increase in defense expenditures (4-5 percent annually in real terms), and that against the backdrop of their substantial and increasing military power, their policy-makers will continue to look for external targets of opportunity which they can exploit, directly or by proxy, to expand Soviet influence and diminish that of the United States.

Apart from its strategic nuclear threat to the US itself, the Soviet threat stretches across three major theaters: Western Europe, the Middle East, and East Asia. Nor is the Western Hemisphere itself immune. The Soviets have reduced the credibility of US nuclear forces as a deterrent to conventional attack by building up their own strategic nuclear forces. The United States and its allies have not yet resolved the problem of spreading their conventional forces across the theaters mentioned above in sufficient strength.

The United States has vital political, economic, and security interests in an East Asia that is stable, peaceful, and much more closely associated with the United States than with the Soviet Union. It is especially important to us

that the Japanese industrial powerhouse contribute to the strength and vitality of the market economies of the world. Sino-Soviet differences inhibit the Soviet Union from feeling free to transfer major forces from the Soviet Far East to service elsewhere. The United States relies, in East Asia, on a strategy involving separate defense treaties with Japan, the Republic of Korea, Australia and New Zealand, Thailand, and the Philippines.

The Committee believes that the Sino-Soviet adversary relationship has been beneficial in a number of ways: it has enabled the US to drop China as a putative military adversary. Sino-Soviet antagonism has resulted in the creation or upgrading of Soviet forces such that at present roughly one-fourth of their ground forces are committed in East Asia. That antagonism has aroused historic Russian concerns about the dangers of a two-front war. It has removed any likelihood of Soviet naval or air bases along the Chinese coast or Soviet access to Chinese ports for repairs and refueling of naval vessels. This denial somewhat limits the mobility of the Soviet Pacific fleet, making its egress from the Seas of Japan and Okhotsk more critical. Finally, it appears evident that the Chinese have exercised a restraining influence on the North Koreans. (On the other hand, the presence of Soviet naval forces in Cam Ranh Bay is a source of deep concern to the ASEAN countries, and threatens the sea lanes between the Pacific, the Indian Ocean, and the Middle East.)

It follows, therefore, that it is in the US national interest to avoid pushing China into a new close relationship with the Soviet Union or into an adversarial relationship with ourselves and our allies.

A number of conclusions flow from that logic. It is important that the US maintains its forces in East Asia and the Pacific. It is also important that the Chinese and our friends and allies in the area be reassured that we are committed to a forward military defense of our interests in the region. These forces are symbolic to an extraordinary degree; their draw-down in any substantial number is likely to have political consequences which would seriously undermine our defensive strategy.

Second, the United States would welcome a more reciprocal relationship with China in military support areas, such as intelligence and military education, although it is not in the interest of either party to seek a formal alliance or to take actions that would be seen by the Soviet Union or by our friends and allies in the region as provocative or aggressive.

Third, there are areas for further cooperation between the US and PRC, such as Indochina and Afghanistan, where coordination of policies has been desirable. For example, Washington and Beijing should continue to consult on possible solutions to the Vietnamese occupation of Cambodia, and on ways of achieving the withdrawal of Soviet troops from Afghanistan. The US should seek consultation on regional refugee affairs. We should also pursue policies toward Korea which would encourage the Chinese to continue their parallel policy of reducing the danger of the outbreak of hostilities on the Korean peninsula. The US should urge the PRC to develop contacts with South Korea that could point the way to eventual cross-recognition.

The handling of the relationship between the US and the PRC must not be left to *ad hoc* trip-driven diplomacy by busy US officials. Rather, it should be

based on a sound appraisal of the long-term evolution of US and Chinese interests and capabilities, as well as those of our friends and allies and handled through normal diplomatic channels.

With respect to the future bilateral US-PRC military relationship, it is unlikely that during the decade either country will desire to enter into any large-scale US program of military assistance. Chinese military technology is about a generation behind that of the US and the Soviet Union. Chinese weapons are based largely on Soviet designs. Chinese hard currency is limited. Chinese industry cannot absorb quantum advances in technology. In addition, recent Chinese budgets have given a relatively low priority to spending for military purposes. Any massive assistance program would still fall short of significantly raising Chinese equipment to the levels of the Soviets. Such assistance could, however, result in raising perceptions of Chinese capabilities to a point where other nations in the area might feel threatened.

The US must discipline itself to avoid any temptation to seek to have the PRC create a Chinese military force in America's own image. Neither geography, economics, nor culture support such a thrust. Rather, the US should recognize that the PRC will develop a military force which builds on its unique national resources.

The US should recognize that China is not willing to accept a tactical or strategic dependence on the US and will follow an independent course, not necessarily always to our liking.

The US must take the security interests of Japan, the Republic of Korea, the nations of ASEAN and ANZUS, and Taiwan into account. The US should consult closely with Japan, the Republic of Korea, and the nations of ASEAN and ANZUS prior to any future military cooperation with China.

The US should be responsive to PRC requests to purchase weapons designed primarily for protection, such as anti-tank or anti-aircraft weapons. Other material sales might include command, control, and communications equipment, early warning radar, and land transportation equipment. Chinese initiated negotiations for the commercial procurement of US military equipment, as compared with US Department of Defense (DoD) initiated and/or negotiated Foreign Military Sales, permit the US to be responsive yet retain sufficient controls over what China can buy without creating an aura of Chinese dependency.

Finally, it behooves the United States to consult closely with its Western European allies on forms and methods of security cooperation with the PRC. Although their interests tend to be regional while ours are global, the lesson should have been learned that security for all is indivisible, and that weaknesses which offer temptations to an expansionist Soviet Union in any part of the globe can raise serious problems for all.

In summary, therefore, our bilateral defense relationship should be characterized by a modest amount of defense cooperation, when and if asked for by Beijing, rather than by large and rapid substantive contributions to a Chinese military buildup. The strategic contribution of Chinese forces, i.e. the degree to which they offset Soviet military power, is not likely to expand greatly in the near term whatever we do, and the risks of entering into a closer relationship,

or of assuming the trappings of an alliance, outweigh any potential gains. It is our *potential* for acting together against the Soviet threat that will provide the best deterrent.

This relationship may include political and diplomatic signals, such as mutually supporting communiqués in response to Soviet challenges, occasional official defense consultations, intelligence exchanges on a limited basis, observation of military exercises, military education exchanges at the senior service college level, an occasional exchange of naval visits if conditions are right, and some degree of consultation on developments in third countries. Any further developments must await the evolution, if it happens, of a more sound political relationship, such as the clarification of Chinese purposes in the Third World, especially in those areas most important to US interests. Additional military cooperation, while it cannot be ruled out for the future, will depend on the long-term development of both Sino-American and Soviet-American relations.

4. *US-China Cultural and Educational Relations*

a. *Education of Chinese in the US*

While the United States generally favors educational and cultural exchanges with almost all nations and cultures of the world, the case for educating China's future leaders requires special comment. It is an important fact that many of China's leaders in education, science, and technology in recent years have been trained in the United States. The US has come to play a special role in offering training to future Chinese leaders; about 9,000-10,000 Chinese students are currently receiving college or graduate level training in various fields.

It is profoundly in our interest that this trend should continue, and be strengthened. In doing so, we can open channels for communications and understanding with China's future leadership that will be very helpful in managing US-Chinese relations in the future. The vast cultural and societal differences between China and America place a heavy burden on those who can bridge them, and this US-educated elite can serve as an important bond from which other kinds of relationship can grow.

b. *Education of Americans about China*

The American understanding of China is also deficient. The number of freshly-minted PhD's, LLB's, and MA's trained at our leading China centers now roughly equals the available openings in government, business, journalism, law, education, and research centers. The deficiency therefore is not in the number being trained, but in the adequacy of training, the escalating costs of graduate programs, the maintenance of the existing institutions, and the maintenance of knowledge of China through Chinese publications and sources. The following items are of specific concern:

- 1) Through United States Information Agency, National Science Foundation, Department of Education, and National Endowment for the Humanities funding, the various programs of the Committee on Scholarly

Communications with the People's Republic of China (CSCPRC) funds 80 senior and junior scholars in the sciences, social sciences, and humanities to travel to China annually to engage in advanced research, thesis research, and language study. Our scientists require assured access to Chinese laboratories and to the field to collect geological, zoological, or botanical specimens. Our humanists require assured access to libraries, archives, and museums. Our social scientists, confronting severe problems of access, need nonetheless to increase their knowledge of the living society. China is largely unmapped from a scientific perspective, and the research that is going forward promises to integrate the Chinese experience into more general theories about man and nature. Another problem is that American funding for research in and on China is uncertain and, in certain areas, inadequate.

- 2) Over the past generation, an institutional infrastructure was developed to study China. This included six comprehensive centers for the study of China at universities within the US, the Inter-University Chinese Language Training Center at Taiwan University (clearly recognized as a leading center for this purpose), the Universities Service Centre (USC) in Hong Kong, with its extraordinary library and research facilities, and the Joint Committee on Chinese Studies of the American Council of Learned Societies and the Social Science Research Council, which sponsors research conferences and awards research grants for non-PRC-based research. This institutional infrastructure has seen a steady deterioration in its funding, and several of the institutions— particularly the USC— face immediate severe (possibly terminal) funding problems. As this core apparatus weakens, the United States becomes more dependent on China for the illumination of its own condition. We think it is essential for the United States to retain an independent capacity to understand China.
- 3) The outpouring of Chinese language publications has left both the government and academic communities unable to handle the available materials. The translation services cover but a small portion of the total, and significant portions of the Chinese press go essentially unscanned both within and outside the US Government. An aggressive acquisitions program and a clearinghouse and/or clipping service would be appropriate additions to the research apparatus now in place.
- 4) While the current number of students in Chinese studies is about adequate, certain aspects of their training—particularly language training—are not as high in quality as they could be. Opportunities for Americans to take part of their graduate training in China should be supported. Few Americans attain genuine bilingual proficiency. Within the US government, proficiency in language and area expertise are not always adequately rewarded. The use of career incentives for language and area specialists, not just for China but for other countries, merits special study.

In short, China has changed in a decade from an inaccessible adversary to a somewhat accessible partner in world affairs, but this change has not dimin-

ished our need to understand the internal dynamics or foreign policy of China. Indeed, we believe the need for sound research on China has never been greater, but the funding has been decreasing at a rapid rate. The results are two-fold: we are more dependent for many subjects on Chinese self-assessments than in the past; and, if current trends in our research capacity persist, we will not have the requisite understanding of China a decade hence. What happened in connection with the decline of Soviet studies in the United States in recent years is a warning. We believe this warrants considerable able attention both within and outside the government.

IV. ROLE OF THE SOVIET UNION

The Sino-Soviet split, which began in the early 1960s, reached a new degree of intensity in the winter of 1978-79, when after the US and China normalized relations, China launched a "punishing action" against the Vietnamese, and the Soviets remained passive in the face of this attack against their ally. Today the Soviets maintain some 45-50 divisions (representing roughly one fourth of their ground forces) on their Chinese border, backed by an increasing number of SS-20 intermediate range ballistic missiles, Backfire bombers, the construction of a new railroad link (the Baikal-Amur Line) across Eastern Siberia, and a large and growing naval presence in the Western Pacific. Some of this buildup is doubtlessly part of its goal of improving their strategic position vis-à-vis the US, and may not be directly aimed at China; even so, the Chinese are aware of the possible Soviet threat to their territory.

Sino-Soviet relations seem, nevertheless, to be improving somewhat. The Soviets have since 1979 ostensibly sought a resolution of their conflict with the Chinese at the political level, but the Chinese have responded by calling, among other possible signs of Soviet good faith, for a preliminary disengagement along the border. The Soviets fear that they will face a difficult choice of either conceding a predominant Asian role to China, especially in Indochina, and to a lesser extent to Japan—or accepting the long-term burden of increased military protection of the Soviet Far East, an area ripe for economic development.

It appears that in 1980-81, the Soviets chose to seek some reconciliation rather than further confrontation, partly because of the deterioration in US-Soviet relations since 1980 and the increased prospects for US-Chinese military cooperation. While the Soviets still fear the long-term Chinese threat to their interests in East Asia, they have probably perceived that China's military modernization will be slower than they originally had anticipated. Soviet leaders in the post-Brezhnev era have inherited difficult—by US standards—economic problems; it is conceivable that they will seek some slackening of massive military spending. A reduction of tensions along the Sino-Soviet border may therefore seem prudent. Given some encouragement from the Chinese, who are also likely to view a reduction in tension with relief, there could occur a modest reconciliation between the two Asian powers. This limited accommodation is unlikely to reach the stage of a fundamental political accord, however. A settlement of minor border issues

will not resolve longer term Soviet anxieties about Chinese threats to their Siberian territories and resources nor cause them to withdraw a significant number of forces from the Sino-Soviet frontier. Nor is it likely that the Chinese would move so far toward accommodating the Soviets that they would jeopardize their relations with the United States.

A limited reconciliation between China and the Soviet Union is not necessarily inimical to American national interests. Put differently, high tension leading to hostilities between these two powers could not, in the end, be in our interest. In any event, the United States has only modest influence on this relationship. It is important, nevertheless, that Soviet planners be forced to keep in mind the ever-present possibility of US-Chinese military cooperation in response to Soviet aggressive behavior around the world. And the United States should, in its relations with the PRC, attempt to establish a record of consistency, reliability, and credibility which will induce Chinese leaders to develop a degree of confidence in the long-term benefits of closer relations with the US, and will avoid the danger of driving the Chinese into dependence upon the Soviet Union.

On the other hand, it is not in the US interest to enter into military agreements which could have the effect of causing the Soviets to increase further their military power in Asia and the Pacific, or to raise tensions with the Chinese to the point where a Sino-Soviet war would become likely.

The Committee opposes any attempt to use our relations with China—particularly our strategic relations—as a short-term, tactical response to Soviet provocations in third areas. To do so would damage our relationship with Beijing, in that it would be seen as an attempt to treat China as a pawn that we can manipulate in a broader strategic game. Nor has it been particularly effective in the past in convincing the Soviet Union to alter its behavior. It will be important, moreover, particularly during the post-Brezhnev period in the Soviet Union, to keep open the possibility of greater cooperation between the US and USSR to relieve tension and minimize the risk of war.

V. TAIWAN

Since Chinese leaders have asserted that the future of Taiwan is so central to the entire Chinese world view, so central to the purpose of the Chinese revolution, and accordingly so emotional for this and possibly for future generations of Chinese leaders, one must try to project the evolution of events on the island itself. This is a formidable task.

In the coming decade, Taiwan's present leader, Chiang Ching-kuo, is likely but not certain to pass from the scene; his passage could produce either a smooth transition or the struggle of mainlander hardliners with mainlander pragmatists and moderate Taiwanese, perpetuation of the *status quo*, the evolution of passive understandings concerning the extent of interaction between the leaders in Taiwan and Beijing, an eventual willingness to negotiate some form of association with the PRC, or the emergence of an independent Taiwan regime.

From Beijing's perspective, several interrelated factors will bear on their posture toward Taiwan: Taiwan's attitude toward the mainland; the state of US-China relations; the existing military balance across the strait; and the domestic political pressures within China. Japan may also come to have a powerful voice in the outcome during the coming decade. The Taiwan issue will also be a source of domestic political controversy within the Chinese leadership.

From Washington's perspective, Taiwan is today an island of remarkable prosperity and significant US investment and trade, a member of the international economic system, and a former ally whose well-being is a matter not only of moral concern but of law under the Taiwan Relations Act of 1979. Any overt aggression by Beijing to take over the island forcibly would be met by a strong reaction by the United States. Taiwan is also a domestic political problem in Washington; a highly vocal and influential minority believes that Washington has already tilted too far in the direction of closer relations with Beijing. A majority of Americans would oppose any solution which would simply abandon Taiwan to a takeover by force, but it is also unlikely that a majority of Americans would want to go to war over Taiwan. We know relatively little about the political attitudes and future preferences of the 85 percent of the 18.1 million population of Taiwan who are indigenous to the island. It is fairly clear, however, that few of them desire to see unification of Taiwan with the mainland which would subject them to complete control by the PRC regime. Correspondingly, relatively few would press for Taiwan independence unless this was perceived as the only alternative to such control.

It is possible to imagine a vast number of policy options in response to a vast number of developments affecting the future of Taiwan, but there are too many variables to make such an exercise worthwhile. The Committee, therefore, proposes the following principles for guiding our conduct on this matter:

- 1) The ultimate solution to the problem of Taiwan must be a Chinese solution, arrived at by the Chinese on both sides of the Strait of Taiwan. Any American effort to coerce or mediate a final solution will be ineffective and possibly counterproductive.
- 2) The US role should be limited to making as sure as possible that the solution, which will probably be a process rather than a single formal comprehensive agreement, will have been achieved without coercion or force of any kind.
- 3) The US should neither stand in the way of a maximum amount of contacts and interaction between Taiwan and the mainland (including trade, visits, exchanges, and the like), nor try to play a direct role in promoting any particular solution.
- 4) Assuming that Beijing sticks to peaceful methods, the United States should stick to the August 1982 joint communiqué, namely, its arms sales should "not exceed, either in qualitative or quantitative terms, the level of those supplied in recent years . . ." and it should "reduce

gradually its sales of arms to Taiwan, leading over a period of time to a final resolution."³

- 5) The seeds of a possible Chinese solution could be present in the designation of Taiwan as a special administrative region under the new Chinese Constitution of 1982 (Article 30), and/or the concept of one nation with multiple systems of government. The ability of all Chinese on both sides of the Strait to live with ambiguity and uncertainty on this question has been amply demonstrated over more than three decades. The United States should avoid promoting or coercing either party into adopting any particular solution, insisting only that the use of force be avoided.
- 6) The Committee is particularly concerned by the excessive emphasis placed up until now on the Taiwan issue—by both sides. The US obviously cannot control Taiwan's future and should not claim to or try to. The gradual evolution of Mainland/Taiwan relations neither requires nor benefits from excessive attentions, suspicions, or false claims of urgency. Precipitous actions by either side would most likely be both counterproductive and unsuccessful. Moreover, the group considers that the PRC's use of Taiwan as a "control rod" in Sino-American relations is far from constructive. While the Taiwan wounds can best heal at a natural pace, there are far more pressing issues of common national interest which deserve priority attention.

At least two possibilities could arise which could thwart a peaceful settlement. First, a strong, independent, well-organized Taiwan independence movement, with support in Japan or elsewhere, could arise, declare itself independent, and defy any attempt by Beijing to take it over. Second, Beijing could decide that, whatever the risks and difficulties, immediate reunification should be attempted, possibly to forestall the first possibility (above). Each of these would have serious implications for US policy-makers. Suffice it to say now that in all likelihood, neither development could occur overnight, and there would be ample time available to consider different responses.⁴

³Roy A. Werner comments: "The desire to create a process allowing for peaceful resolution is one I strongly support. However, a troubling precedent has been set by ignoring statutory law (PL 96-8, TRA) and the inherent contradictions contained in the August Communiqué concerning defensive arms. Furthermore, the posture taken by the administration erodes the character of our commitment to our allies."

⁴Jeffrey B. Gayner comments: "The report does not contribute to the creation of an effective and realistic US policy on Taiwan. Instead the report largely endorses the drift of policy in recent years which has increasingly disengaged the US from Taiwan. In particular, the report undeservedly endorses the August 1982 Communiqué which unreasonably restricted arms sales to Taiwan. The greatest danger to the peaceful settlement of the conflict between Taiwan and the PRC will emerge over the next decade if the political, economic, and military balance between them is further disrupted by the continued erosion of US relations with Taiwan. Only by reaffirming the letter and spirit of the Taiwan Relations Act can US-Chinese policy be placed on a firm realistic footing again that would restore US credibility in Taipei. Only a secure and confident Taipei will be able to deal effectively and equitably with Beijing. Unfortunately the report would only exacerbate the present problems by further eroding the military capabilities of Taiwan while simultaneously augmenting the economic and military capabilities of the PRC."

VI. OTHER ASIAN VIEWS

While the Committee has focused mainly on relations between the United States and China, and necessarily upon the triangular relationship of the US, the Soviet Union, and China, it is important to keep in mind that the nations of Asia that lie on the periphery of the Chinese mainland are historically and culturally bound to be most immediately concerned with the course of events in the People's Republic of China. Since American interests in the nations from Japan and the Republic of Korea southwest through ASEAN and ANZUS are substantial and growing, a rational China policy must take account of their interests and anxieties.

Attitudes, of course, vary from one country to another, and differences exist within some countries. In Southeast Asia, for example, Thailand tends to be more sympathetic to American military cooperation with China than Indonesia, since Thailand feels threatened by Vietnamese encroachments (with Soviet backing) in neighboring Laos and Cambodia, while Indonesia has an historical concern about the loyalties of its Chinese minority population.

In Japan, there is a range of views on China and its role in the security of the Western Pacific. One prevailing opinion is that giving the Chinese substantial military assistance, or even appearing to join Beijing in a united front against the Soviet Union, would be unnecessarily provocative toward Moscow, would end any hope of Japan's accommodation with the USSR, and would disturb Tokyo's relations with Southeast Asia as well. Thus, the Japanese have not only reiterated that they will not sell arms to China, but they have also placed strict limits on exchanges of visits by Chinese and Japanese military personnel. In addition, the Japanese have consistently urged that the United States exercise caution in its own military cooperation with the PRC. When Secretary of Defense Harold Brown visited Beijing in early 1980, just after the Soviet invasion of Afghanistan, for example, some prominent Japanese newspapers warned that any moves toward military cooperation among Tokyo, Beijing, and Washington against the Soviet Union would irritate the Soviet Union, disrupt stability in Asia, and risk "increasing military tension between Japan and the Soviet Union." Similar views were expressed after Secretary Haig's offer to sell China defensive weapons in 1981, although there has been some relaxation of this concern since the 1982 elections.

Similar opinions have been expressed in the Republic of Korea. Stability and peace in Asia are critical to development and economic progress; excessive military cooperation with the PRC is not desirable.

Our Asian friends are concerned about what they believe to be emotionalism and idealization in American images of China. The continuing American commitment to Taiwan is regarded as reflecting, to a degree, a sentimental attachment to the Nationalists, rather than a rational assessment of the national interest. Conversely, many allies believe that we have, in our euphoria about our new relationship with China, overstated our common interests in China and disregarded the remaining differences in foreign policy objectives and socio-political structure.

Many Asians, both in Japan and in ASEAN, express reservations about the degree of exceptionalism that characterizes American attitudes about China. They acknowledge that China is unique in some ways, especially in its combination of size of population and extent of national territory. But they insist that, in other respects, China is not as exceptional as Americans often claim. As much as China, other Asian nations have also had to reconcile their pride in their own traditional cultural identities with the fact of Western technological and military superiority. Other nations, and not just China, have had to respond to the challenge of the West, and find ways of ensuring national sovereignty and promoting socio-economic modernization. The notion, common in the United States, that these dilemmas are more intense for China than for other parts of the world is indignantly rejected by observers in both Japan and Southeast Asia. What is exceptional about China, according to one frequently heard rejoinder, is not that the problems have been greater, but that the responses have been less effective.

The combination of emotionalism and exceptionalism in American attitudes toward China produce what many Asian (and for that matter many European) observers believe to be an overestimation by the United States of the role that China can play in the global strategic balance and in the international economy. The very concept of a "strategic triangle", they believe, vastly exaggerates China's military and economic significance, not only now, but also for the foreseeable future. While some Americans tend to view China as a potential superpower—consider the Nixon-Kissinger concept that China was one of five major power centers in the contemporary world—Europeans and many Southeast Asians tend to view China as a regional power at most.

Many of our friends in Asia complain that, while Americans exaggerate China's effect of the global balance, Washington pays too little heed to China's long-term ambitions in the region. Washington and Beijing have common interests vis-à-vis the Soviet Union, and it is these similarities that have led to discussion of Sino-American military cooperation. But, as we have seen, many Asians believe that the United States ignores the remaining differences between China and other Asian states, especially in Southeast Asia.

It is important to acknowledge that some reservations expressed by our European and Asian partners strike some Americans as being rather hypocritical and others as realistic. Europeans caution the United States not to sell arms to China for fear of provoking the Soviet Union, and simultaneously welcome window-shoppers from the Chinese People's Liberation Army who visit European arms exhibitions and military installations. And our friends in Europe and Japan clearly share with the United States an interest in a peaceful settlement of the Taiwan issue, but they want us to bear the responsibility for seeing that the interest is realized.

This does not mean, however, that American policymakers would be well-advised to ignore the remaining reservations expressed by our friends. The US should listen seriously to the advice that our friends and allies are giving us. They are cautioning that close alignment with China may not be the best way to manage the West's relations with the Soviet Union; that American military assistance to China may, in the long term, have a destabilizing effect on Asia; and that emotional American commitments to Taiwan may risk

forfeiting the strategic benefits of the new Sino-American relationship. These propositions may or may not be correct. But they are thoughtful arguments, and deserve careful consideration.

Even more important, our partners look to see whether the United States takes these reservations into consideration in making its decisions about China. The choices Washington makes about China are seen, to some degree, as a measure of American priorities, and a test of the procedures by which American policy is formulated. When forced to choose between China's position and that of our other friends and allies, which side does the United States take? And when making decisions on its policy toward China, does Washington consult its partners in advance, or does it announce its conclusions only after they have been reached?

Indeed, there is widespread resentment, especially in Asia, that the United States does not consult adequately with other interested parties before making important decisions with regard to China. Many Southeast Asians charge that the United States, especially during the latter half of the Carter Administration, accepted all too readily the Chinese position on Vietnam—a policy of isolation and pressure—rather than accepting the somewhat more flexible ASEAN line. There is also concern as to the degree to which this policy has been identified with the morally abhorrant Pol Pot regime in Kampuchea.

Similar views are prevalent in Japan and South Korea. The United States informed Tokyo of the Kissinger visit to China in 1971 only minutes before the events were announced to the American public on television. Although the situation seems to be improving, the Japanese still complain of inadequate consultation between Tokyo and Washington over the normalization of Sino-American relations in 1978 and military relations between China and the United States.

On either substantive or procedural grounds, therefore, American China policy is too important to be left to Washington and Beijing alone. Four main conclusions are possible. First, and most fundamentally, our friends and allies are pleased with the dramatic improvements in Sino-American relations that have occurred over the past decade. Second, there are some reservations, especially in Southeast Asia, Japan, and South Korea, but to a significant degree in Western Europe as well, about the rapid development of a further military and security relationship between Washington and Beijing. Third, while there is substantial sympathy for Taiwan in many quarters and an understanding of American obligations toward the island, there is also the hope that Washington's residual military ties with Taipei will not do serious damage to its relationship with Beijing. And finally, as of now, there have been relatively few tensions between the United States and its friends over economic relations with the PRC.

VII. RELATIONSHIP OF ATLANTIC AND PACIFIC SECURITY

The United States, its NATO and ANZUS allies, and Japan agree on one fundamental matter: that the Soviet Union poses the principal external threat to

their security. The PRC takes the same view. Given agreement on this basic point, a substantial amount of cooperation in meeting the common threat might be expected. In fact, however, strategic cooperation is limited to that between the United States and its NATO allies in the Atlantic theater and the United States, Japan, Australia, and New Zealand in the Pacific. The tentative moves by the United States toward a strategic relationship with China have been viewed askance by its NATO allies and by Japan. None of the latter has given serious thought to forming its own strategic relationship with China.

Thus, "Atlantic" and "Pacific" security are linked on one hand by the presence of the Soviet Union in both oceans and on the other by the existence of US security arrangements with allies in each region to defend against the Soviet threat. The military security concerns of US allies are predominantly regional, although they share with the United States a global outlook on economic issues. The US NATO allies do not contribute militarily to the defense of Japan, nor does Japan contribute to the defense of the NATO region, although Intermediate Nuclear Force (INF) negotiations are making the linkage between European and Asian security increasingly more important to both.

Although the NATO allies and Japan agree with the United States that the Soviet Union is the principal threat, they disagree significantly on ways to deal with it. The European allies, in part because of the special situation of divided Germany, tend to place greater emphasis on détente, arms control, and economic relations with the Soviet bloc. Their rejection of US efforts to block use of American technology to build the gas pipeline between the Soviet Union and Western Europe dramatically demonstrates the difference in viewpoint. The Japanese, also, place a higher priority than the United States Government does on efforts to reduce tensions and expand economic relations with the Soviet Union. They are proceeding with the joint Soviet-Japanese project to drill for offshore oil and gas off Sakhalin. They disagree with the United States on what can be done about the level of Japanese forces required to counter the Soviet threat to Japan. Although there is not a great deal of interaction between Europeans and Japanese concerning security matters, to the extent that both hold a more moderate view of the Soviet threat than the US Government, and would place greater emphasis on non-military means of coping with it, they reinforce those in the United States who hold similar views.

The Middle East, geographically and economically, constitutes a link between the Atlantic and Pacific regions. As the world's principal oil exporting zone, it is more important economically to the European and Pacific allies, particularly Japan, than it is to the United States. Internal instability and war between Middle Eastern states is a greater immediate threat to the security of the region than Soviet forces. The European and Pacific allies, recognizing that upheaval in the Middle East and possible Soviet military intervention there would seriously threaten their own security, would reluctantly accept diversion of some US forces from the Atlantic and Pacific to that area if the threat to their interests was clear and immediate.

Both the NATO and ANZUS allies and Japan approve in general the expanding US relations with China. They view the ending of military confrontation between the United States and the PRC as releasing US forces for other

uses, including the strengthening of Atlantic and Pacific defenses against the Soviet threat. Moreover, even though the United States, its NATO and ANZUS allies, and Japan compete commercially in seeking trade with China, they agree that these economic connections with the West contribute to the modernization and political stability of China in which they have a common interest.

The European and Asian friends and allies are skeptical, however, about the desirability of an active US-China military relationship. The Europeans believe that it would take many years for China to significantly narrow the gap between the capability of its forces and that of the Soviets. During this period, extensive US-Chinese military cooperation would be a provocation to the Soviet Union without providing greater security. The reaction of the Japanese is more complex. They share the Europeans' concern with unnecessarily provoking the Russians, but are also concerned about Moscow's buildup of missile, bomber, and naval forces in the Far East. Many strongly oppose the concept of a US-China-Japan strategic entente, which the Soviets charge is already in the making. They also worry that the United States may have a long-term intention of making China rather than Japan its principal ally in East Asia. And, as a regional power in the Pacific, Japan is more sensitive than European NATO nations to Korean and ASEAN concerns about the risks associated with China's becoming a strong military power.

The Asians and Europeans are somewhat ambivalent concerning the differences between Washington and Beijing on the Taiwan question. Their economic relations with Taiwan have expanded in recent years and they would prefer a separate Taiwan to the island's unification with the mainland. Most would be troubled, however, if the United States were to place its interests in Taiwan ahead of its interests in cultivating good relations with the PRC. Hence, they welcomed the August 1982 joint communiqué on US arms sales to Taiwan, which enabled Washington and Beijing to set that issue to one side, at least temporarily. They would deplore serious deterioration in US-China relations over the Taiwan issue, which would encourage those in the PRC interested in improving relations with the Soviet Union and might ultimately lead to a revival of military confrontation between the United States and China over Taiwan.

The absence of enthusiasm in Europe and Asia for an active US-China military relationship and even the doubts expressed by some allied or friendly nations, such as South Korea and Indonesia, have not become major issues in the relations between the United States and those countries. Consequently, paying heed to the views of allies and friends on this matter does not necessarily require the United States to reverse itself and withdraw from the limited point so far reached in developing military relations with the PRC. These views do, however, add weight to other reasons for the United States to proceed slowly and cautiously with such a relationship. The unwillingness of the United States to provide a large amount of weapons of China, the reluctance of the Chinese to become dependent on a foreign power for arms, the Chinese desire to concentrate first on developing a modern industrial base for arms production, and the dispute between Beijing and Washington over arms sales to Taiwan all counsel caution, including avoiding the temptation to

exaggerate the significance of the relationship in an effort to gain political points.

A military relationship between the United States and China that would significantly affect the balance of power in the Pacific region is a possibility for the 1990s and beyond, not the 1980s. It would require a much more extensive and solid network of economic and other relations between the two countries that exists today. It would also require a much wider range of carefully identified and defined common interests and policies than exists today. It presupposes a China that has put behind it the animosities and tensions created by the Cultural Revolution and demonstrated a capacity to maintain political stability and a growing economy over a prolonged period.

The 1980s, then, are likely to be a period of reciprocal probing and experimentation in the area of military relations between the United States and China, following, not leading, the development of stronger economic, geopolitical, and cultural relations. Progress in this area can ultimately improve both "Pacific" and "Atlantic" security. But if the process is not to create friction and misunderstanding between the United States and its Atlantic and Pacific allies, the United States must pay more attention to securing their understanding and cooperation.

VIII. POLICY RECOMMENDATIONS

A—GENERAL RECOMMENDATIONS

1. The United States Government should develop a sound long-term posture through the next decade that seeks enhanced cooperation with the People's Republic of China (PRC)—a very large and underdeveloped country—which, as an independent, non-aligned international and regional entity, shares some but not all of our global and regional objectives, particularly in Asia and the Pacific.
2. An economically healthy, stable, and secure China, which contributes to the peace and stability of the region, is in the national interest of the United States, and is an interest shared by our Asian and European friends and allies. To this end, the United States should place priority on the continued development of a sound geopolitical relationship with China and on the enhancement of cooperation with China in developing its economic potential.
3. Relations with the PRC and other countries in the region require that the US maintain a strong military presence in East Asia and the Pacific and make clear we are committed to a forward military defense of our interests in the region.
4. The United States, more than it has in the recent past, should consult with and take into account the views of its Asian friends and allies in dealing with the PRC and encourage reciprocal consultations. Specifically, the security and economic concerns of Japan, the Republic of Korea, and the nations of ASEAN and ANZUS, and the population of Taiwan should be taken into account.
5. Our Atlantic friends and allies should also be consulted with respect to our China policies and encouraged to consult with the US with respect to their

policies. It is important that our respective policies be compatible, particularly in the areas of technology transfer and international trade. The United States and its industrialized friends and allies in the coming decade should do in concert what we can to facilitate China's economic development. A process for continuing consultations among the allies should be established to facilitate cooperation in helping China in such areas as joint feasibility studies for projects to be financed by government funding.

B—BILATERAL RELATIONS

6. The US and China share certain geopolitical objectives, such as opposing Soviet expansionism, making possible cooperative efforts in various forms. Our policy objectives with respect to Afghanistan and Indochina are similar and call for further consultations. On the Korean Peninsula, despite the fact that the US and China support different parties, our objectives in avoiding hostilities are parallel. The US and the PRC should urge their respective Korean allies to adopt policies supportive of these objectives. The US should also encourage the PRC to develop further contacts with South Korea that could point the way to eventual cross-recognition. In other areas, such as the Middle East and Southern Africa, we should seek out common interests; and wherever and whenever our interests converge, we should cooperate.⁵

7. The basis of our relations with China should not rest exclusively on our common opposition to the Soviet Union. We should seek to expand the basis of the relationship to rest on economic, scientific, and cultural ties, on shared efforts to maintain stability in Asia, and on Chinese involvement in the search for solutions to the problems that transcend national boundaries (such as arms limitations or international economic issues).

8. While the US must show appreciation of Chinese needs, sensitivities, and domestic political environment, the same attitude is required of the PRC toward the US. If the relationship is to move forward and continue to enjoy broad public support in the US, the Chinese must demonstrate greater awareness of American sensitivities and appreciation of our domestic political system (including the separation of powers) and our pluralistic society. US officials should make clear that Chinese rhetorical excesses only serve to undermine support in the US for strengthening US-Chinese relations and complicate US diplomacy on international issues.

9. Throughout the next decade, the United States should cooperate with the PRC primarily through trade, export credits, and direct investment in the Chinese economy. The United States should facilitate and promote US private sector participation in Chinese economic growth and encourage China to establish a favorable climate for American enterprises, as, for example, in the

⁵Jeffrey B. Gayner comments: "Aside from their perceptions of Afghanistan, Indochina, and the general military build-up of the Soviet Union, the Chinese share few foreign policy positions with the US and even oppose almost all US actions in the Middle East, Africa, and Latin America. If the US is going to cooperate with Beijing in pursuing policies dealing with the vital border areas of China, then Beijing should be willing to reciprocate this action by pursuing policies more supportive of US vital interests, such as in Central America. Moreover, they should not back revolutionary movements that are primarily supported by the Soviet Union."

areas of developing coal, renewable energy resources, potential of off-shore oil and gas reserves, and agriculture.

10. To facilitate commercial trade in line with US export policies, the Committee recommends that the Joint Economic Commission and the Joint Commission on Commerce and Trade and their working groups should explore each other's applicable laws and regulatory practices in order to defuse potentially disruptive trade issues stemming from asymmetries in business and government practices.

11. The US should actively promote the transfer of technologies that are consistent with China's economic development needs and abilities to absorb. At the same time, the US should continue to press the PRC to promulgate and enforce laws (patent, copyright, etc.) necessary to protect the interests of the industrialized nations in technology transferred. Correspondingly, the PRC should join such international agreements as General Agreement on Tariffs and Trade, the Paris Convention, and the Universal Copyright Conventions.

12. The Committee asserts that it is in the US national interest that the Chinese national economy move toward modernization. However, it recognizes this course involves a degree of risk since a strong Chinese industrial base could be used in the future for military purposes not consistent with our national interest. To allay these fears, a broad study should be conducted to identify and quantify the probable impact of Western technology on China's industrial capability.

13. The US should quickly agree as to how best to expedite decisions on applications for the transfer of "dual-use" technologies and should be most responsive to those requests which would best contribute to the civilian sector (communications, transportation, power supplies, renewable resources, etc.). Technologies which make a direct and significant contribution to nuclear weapons and their delivery systems, electronic and anti-submarine warfare, and intelligence gathering should continue to be withheld, though each area should be carefully examined to ensure that only the most sensitive technologies are routinely denied.

14. The US Government should not press weapons systems and technology on the Chinese, but rather should wait for their initiatives. The US should be responsive to requests from the Chinese armed forces, including arms sales, in developing China's ability to protect itself. This cooperation must be consistent with US law, international agreements, and commitments to allies of the United States. However, the US should not encourage the Chinese to carry out a program to modernize and expand its armed forces to a degree that would significantly increase the Chinese capacity to project force beyond its current borders. Neither should the United States seek to enter into a military alliance with the PRC.

15. In negotiations with the USSR on strategic and intermediate range nuclear missiles, both the US and the PRC should be sensitive to the possible interests and concerns of the other.

16. The United States should actively encourage and support the education and training of the Chinese in a variety of fields: scientific and technological as

well as in the social sciences, the arts, and the humanities. It is in our national interest that the coming generation of leaders in China have exposure to, and benefit from, the best that can be offered by our universities, businesses, and other training facilities.

17. The United States should ensure the future of sound research and education about China by assuring direct access in China for our scholars, scientists, and journalists, by ensuring the continued funding of our library and research facilities, by enhancing our ability to acquire and utilize the large volume of Chinese language publications available, and by encouraging our China specialists to develop their background knowledge and language proficiency.

18. The US should not construe expected improvements in Sino-Soviet relations as necessarily adverse to our national interests, but should judge such improvements with respect to their contribution, if any, to peace and stability in the region.

19. The Taiwan situation should be worked out peacefully by the Chinese on both sides of the Strait. The US Government should avoid promoting or coercing either party into adopting any particular solution, insisting only that the use of force be avoided.

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